Austria	Sch20	Iran	[illegible]	Philippines	Peso30
Bahrain	[illegible]	Israel	[illegible]	Portugal	[illegible]
Belgium	BFr48	Italy	[illegible]	Qatar	[illegible]
Canada	[illegible]	Japan	[illegible]	S.Arabia	[illegible]
Cyprus	[illegible]	Jordan	[illegible]	Singapore	[illegible]
Denmark	[illegible]	Kuwait	[illegible]	Spain	[illegible]
Egypt	[illegible]	Lebanon	[illegible]	Sri Lanka	[illegible]
Finland	[illegible]	Lux	[illegible]	Sweden	[illegible]
France	[illegible]	Malaysia	[illegible]	Switz	[illegible]
Germany	[illegible]	Mexico	[illegible]	Taiwan	[illegible]
Greece	[illegible]	Morocco	[illegible]	Thailand	[illegible]
Hong Kong	[illegible]	Neth	[illegible]	Tunisia	[illegible]
Iceland	[illegible]	Nigeria	[illegible]	Turkey	[illegible]
India	[illegible]	Norway	[illegible]	UAE	[illegible]
Indonesia	[illegible]	Oman	[illegible]	USA	[illegible]

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,772 | Friday February 17 1989 | D 8523A

CARIBBEAN
Lomé benefits fall below expectations
Page 4

World News

Premadasa wins secure majority in Sri Lanka

Sri Lankan voters who defied death threats and an election boycott called by the extremist Singalese JVP gave President Ranasinghe Premadasa a secure parliamentary majority with 125 seats out of 225. The main opposition party, Mrs Sirimavo Bandaranaike's Sri Lanka Freedom Party, won 67 seats. Page 3

Independence plan
United Nations Security Council authorised an independence plan and peacekeeping force for Namibia, taking one more step to end 74 years of South African rule. Page 3

Boeynants suspect
A Yugoslav suspected of kidnapping former Belgian Prime Minister Paul Vanden Boeynants was charged with theft and possession of false documents in Metz, France. Page 2

UN block request
UN Secretary General Javier Perez de Cuellar said he was considering an Afghan government request to establish official outposts to block rebel arms routes from Pakistan.

Founding congress
Political group which claims to be post-war Yugoslavia's first non-Communist political party, the Social Democratic Union of Slovenia, was due to start its founding congress in Ljubljana. Page 2

Manila aid plan
The World Bank has accepted a co-ordinating role in a $5bn-10bn multilateral aid plan for the Philippines. Page 4

Belfast gun raid
Gunmen lined up customers in Belfast's Orange Cross Social Club, a Protestant bar, and wounded five of them by opening fire at point-blank range. Three men received serious head wounds. Page 8

Peru miners strike
Over 80,000 Peruvian miners staged a 24-hour strike in mourning and protest at the assassination of Saul Cantoral, secretary general of Peru's powerful Miners Federation, and Consuelo Garcia, a social worker to mining communities. Page 5

Beirut truce ends
Rival Christians shelled each other in east Beirut, shattering a church-mediated truce less than 24 hours old.

Hunger strike off
Political detainees in Johannesburg ended a mass hunger strike after the government indicated it would free most of the 1,000 prisoners held without trial. Page 3

New Arab bloc
The leaders of Iraq, Egypt, Jordan and North Yemen signed an agreement joining their 80 million people in a new economic Arab Co-operation Council. Page 6

Sikhs kill six
Sikh separatists killed six people including a policemen and two factory guards in India's northern Punjab state.

Solidarity hope
Solidarity and Polish government negotiators agreed that the banned union could re-emerge as a national movement if it agreed to back government economic and political reforms.

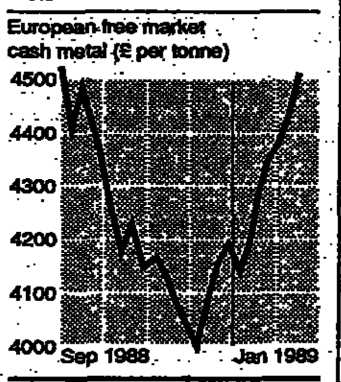
Business Summary

European boom aids record Ford profits

FORD, world's second largest automotive manufacturer, made record profits in 1988 for the third year running. But all of the earnings increase was due to Ford's performance in the booming European car market, while US automotive profits fell almost 10 per cent. Earlier this week, General Motors reported record results which displayed a similar geographical pattern. Page 19

TIN consumers have been caught off guard by the sharp rise in the metal's price in recent days. Tin for immediate delivery was traded at nearly

Tin
European free market cash metal ($ per tonne)



$8,000 a tonne on the European free market yesterday; $75 a tonne above the price on Wednesday afternoon and the highest level since March 1986.

US TREASURY partially reversed a Customs Service ruling that would have raised tariffs on mini-vans and sports-utility vehicles from 2.5 per cent to 25 per cent. The ruling had been at the centre of intense lobbying by US vehicle makers.

BRITAIN'S official unemployment count fell below the symbolic 2m mark for the first time in eight years, reaching the lowest figure since 1981, after a big fall in January. Meanwhile growth in UK average earnings was steady in December in spite of rising inflation. Stories Page 8

GENERALE de Banque, Belgium's largest bank, announced a three part capital increase which will boost its equity by BFr13bn ($330m) and strengthen its already close links with Banque Générale du Luxembourg. Page 19

BRITISH Aerospace is to shed about 2,500 jobs over the next two years at its guided weapons subsidiary, BAe (Dynamics), and to close two of that company's six main UK sites. Page 8

LUFTHANSA has ordered 15 of the new long-range Airbus A340 airliners with options on another 15. Airbus said the $3bn contract followed a decision by the West German airline to buy the A340 early in its development. Page 4

GOTABANKEN and Nordbanken, Sweden's fourth and fifth largest commercial banks respectively, both reported dramatic surges in their operating profits for 1988. Page 20

BRITISH PETROLEUM announced an increased dividend of 13.5p per share for 1988, 1p higher than for 1987, with a 10 per cent increase in its after tax profits. Page 19

JAPANESE authorities are tightening rules covering the flotation of companies on the over-the-counter market in the wake of the Recruit scandal. Page 25

NORTHROP, US military aircraft group, was hit in the fourth quarter by a $150m loss provision for certain classified fixed-price research and development contracts. Page 20

INDIA is expected to establish a mechanism that will help British companies sidestep some of the bureaucratic obstacles that can impede foreign investment in India. Page 4

Gorbachev admits perestroika could run out of steam

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev of the Soviet Union has admitted that his economic programme of perestroika is in danger of running out of steam.

In a highly publicised speech to industrial workers summoned to the Communist Party headquarters for a meeting with virtually all the leading members of the ruling Politburo, he rejected speculation about his own political survival, called on the industrial workers of the country to sack their bosses if they blocked reforms, and promised tougher sanctions against corruption and "rampant pilfering."

At the same time, he issued his strongest condemnation yet of calls for a Soviet multi-party system, denouncing them as "groundless" and "rubbish."

He rejected the growing separatist calls in the Baltic republics and elsewhere as those of "careerists and extremists."

The Soviet leader stormed back into the political fray after a brief holiday.

His address, broadcast on television and published in yesterday's Soviet press, represents a critical attempt to galvanise support in the group which is both the traditional heartland of the Communist Party in the country, and the constituency showing the greatest scepticism about the current reform process.

In it he rejected as irrelevant Western speculation that he might lose power: "This is not the issue. They are trying to pin everything on one personality."

"The thing is, the policy of perestroika was adopted by the entire country. And the people will not let everything be thrown to the wind."

However, his comments on his own political survival, and his harshest words on multi-party democracy, were cut from the sanitised version published yesterday in Pravda and other leading Soviet newspapers.

Political observers in Moscow do not believe the Soviet leader faces any serious immediate threat to his own position within the Politburo, despite a backlog of economic problems facing the perestroika process. However the very fact that nine of the full Politburo members, including conservatives such as Mr Yegor Ligachev and Mr Viktor Chebrikov, were very publicly in attendance, suggests that they see a need to demonstrate their support.

Moreover the Soviet leader's speech made no bones about the economic problems in store. And he warned: "The policy of perestroika will bog down if we fail to rally people to its cause."

On the one hand he rejected calls for legal sanctions against "loudmouths and demagogues," saying: "We are strong enough to tolerate them, though many of you said here it is high time to apply the force of the law."

He yet again used strong words to condemn the growing tide of nationalism and separatism in the Baltic republics and elsewhere. "We have laws which envisage punishment for fanning the flames of ethnic discord and for instigating disturbances," he said, citing just those laws currently being used against members of the Armenian Karabakh committee who are held in detention.

Commenting on separatists in the Baltic republic of Lithuania, he said they were "obsessed with personal ambition, or just extremists... We will deal with them calmly, but we have to rebuff this."

He challenged the workers to take more power into their own hands: "Where is perestroika getting bogged down?" he asked. "Where is it running out of steam? Some people are just marking time. They do not want to change.

"We see that your patience is running thin, and sometimes we are overly tolerant."

It was up to work collectives to make their own personnel decisions, and to reject "reshuffling for the sake of reshuffling."

He also called for "more harshness...to repel those who steal, swindle and sponge off our society."

Editorial comment, Page 16

Mrs Mandela: rejected

Blacks turn their backs on Winnie Mandela

By Anthony Robinson in Johannesburg

SOUTH Africa's black community yesterday turned its back on Mrs Winnie Mandela, wife of jailed African National Congress (ANC) leader Mr Nelson Mandela and once adored as "mother of the nation".

Mrs Mandela, who met her husband in Paarl prison on Wednesday to discuss her future, was "excommunicated" in absentia by a statement read out by Mr Murphy Morobe, former publicity secretary of the United Democratic Front (UDF), at a press conference in Johannesburg.

It stated that the "mass democratic movement" of South Africa "hereby distances itself from Mrs Mandela and her actions". It called on the black community "to exercise this distancing in a dignified manner". This is seen as a veiled plea to shun Mrs Mandela, but to avoid possible clashes between factions in the townships and in the ANC.

Flanking Mr Morobe were two heavyweights of the black opposition, Mr Elijah Barlya, president of the Congress of South African Trade Unions (Cosatu), and Mr Archie Gumede, president of the UDF.

The statement is the culmination of years of growing black disillusionment and anger at the wilful actions of the 54-year-old former social worker who married Nelson Mandela 31 years ago but was forced to spend most of them apart from her husband, in jail, under restriction orders or in internal exile.

Once respected as the fore-

Continued on Page 18

Five charged in French share scandal

By Ian Davidson in Paris

FRANCE'S long-running Pechiney stock-market scandal escalated sharply yesterday, with incalculable political consequences, when five people were charged with insider trading, including Mr Roger-Patrice Pelat, a close personal friend of President François Mitterrand.

Although no-one dreams that President Mitterrand has had any personal contact either with the Pechiney insider-trading scandal, or with the parallel controversy over last year's stock-market raid on the Société Générale privatised bank, it is almost inevitable that the charging of Mr Pelat will provide new fuel for the innuendoes of the right-wing opposition.

Moreover, it is a major embarrassment for the governing Socialist Party which fears contamination by the atmosphere of scandal, and the opposition's smears of corruption.

The Government's most immediate anxiety is that the scandals will seriously drag down its performance in next month's municipal elections.

Last Sunday on television, President Mitterrand firmly defended his friendship with Mr Pelat, with whom he has been on close terms ever since they met in a German prisoner-of-war camp in 1940.

At the same time, however, he demanded that justice should be "severe," regardless of the identity of the guilty.

"When the state and the reputation of France are at stake, there are no private relationships and no privileged connections,"he said.

In a spectacular outburst, President Mitterrand also attacked the evils of financial speculation, which he characterised as "gangsterism and the law of the strongest," and he promised that the Government would install a system which would "prevent the ruin and the pillage of the French economy" by takeover speculators.

The immediate purpose of this outburst was no doubt to impress the French electorate with Mr Mitterrand's long-standing and well-known distaste for the world of finance. But some commentators have advanced a more fundamental interpretation: that President Mitterrand feels compelled by the stock market scandals to abandon last summer's attempt to build an opening from the Socialist Party to the political centre, because of the risk of contamination with conservative interests.

This interpretation may well be premature. But if not, it implies the beginning of the parting of the ways between the President and Mr Michel Rocard, whose role and whose strength as Prime Minister depend essentially on his credentials as a Social Democrat, with the ability to build bridges to the centre.

The charges handed down yesterday by the investigating magistrate follow hard on the heels of the publication by the French stock market supervisory authority, the Commission des Operations de Bourse (COB), of the results of its investigations into dealings in the shares of the American company Triangle Industries last autumn, shortly before it was bought by the French aluminium company Pechiney.

Mr Pelat had been identified in the COB report as one of six French buyers of Triangle shares during the period of Pechiney's negotiations. The COB report did not single out Mr Pelat for particular attention, however, although it said that he and members of his family had bought 10,000 Triangle shares, on which they made a profit of FFr2.24m ($352,000).

In general, however, the report said that the COB had found "serious, precise and concordant presumptions of the existence of insider trading," in its investigations into the dealings in Triangle shares.

Moreover, over a quarter of the COB report, and its most explicit accusations, were directed to the Triangle share purchases made by Compagnie Parisienne de Placements, a holding company controlled by Mr Max Theret.

"Definitely, CPP's orders are eminently suspect," it said, and asserted that the documentation presented by CPP to justify its purchases had been created after the event.

On television, President Mitterrand emphasised that Mr Theret was not one of his friends, and that he scarcely knew him.

Apart from Mr Pelat, those charged yesterday were: Mr Robert Reiplinger, an associate of Mr Max Theret, Mr Pierre Alain Marsan, and Mr Ricaldo Zavala, both stockbrokers, and Miss Isabelle Pierco, a friend of Mr Pelat. Mr Pelat and Miss Pierco were charged with profiting from insider trading, while the three others were charged with insider trading.

UK freezes relations with Iran after death threat

By Victor Mallet, Middle East Correspondent, in London

BRITAIN yesterday announced suspension of its plans to upgrade relations with Iran, after strongly condemning Ayatollah Ruhollah Khomeini's decree ordering the death of Mr Salman Rushdie, the British writer.

It was only three months ago that Iran and Britain agreed to resume normal diplomatic relations, after years of hostility.

The Iranian chargé d'affaires in London, Mr Mohammad Basti, was summoned to the Foreign Office to hear the protest after Mr Nick Browne, his British counterpart in Tehran, had failed to receive a satisfactory explanation from the Iranian authorities, the Foreign Office said.

Sir Geoffrey Howe, British Foreign Secretary, said the Ayatollah Khomeini's order was "totally unacceptable". Iranian leaders and many other Moslems are incensed by what they regard as insults to Islam in Mr Rushdie's latest novel, *The Satanic Verses*.

"We recognise that Moslems and others may have strong views about the contents of Mr Rushdie's book," Sir Geoffrey said. "However, nobody has the right to incite people to violence on British soil or against British citizens."

In Tehran, Mr Browne also sought an explanation for an Iranian statement this week that Mr Roger Cooper, a Briton held without trial in Iran for more than three years, had received a heavy sentence. The Iranian Foreign Ministry said it would investigate and that Mr Cooper had been granted a consular visit on March 7.

Tehran Radio said people in the home town of Mr Ali Akbar Hashemi Rafsanjani, the powerful speaker of the Iranian parliament, had promised the equivalent of $3m to increase the reward already offered by the authorities to anyone who killed Mr Rushdie. Iranian clerics and students were prepared to launch suicide attacks to kill him, the radio added.

In India, a caller claiming to represent an unknown group called the Iranian Guards telephoned a Bombay news agency and threatened to bomb British Airways aircraft flying to India. The Iranian consulate in Bombay said the threat was absurd mischief-mongering.

Mr Michel Rocard, the French Prime Minister, called on Western leaders jointly to condemn Ayatollah Khomeini's threat. The US State Department said it was appalled by the decree which it felt could impede prospects for better US-Iranian relations.

David Buchan in Brussels writes: The widest expression so far of European revulsion at the threats came from the European Parliament, which passed a resolution demanding sanctions and threatening force against Tehran if any attempt is made on the lives of the author and his publishers.

The resolution, a powerful expression of sentiment without binding effect, was passed in spite of the opposition or abstention of most British Conservative and Labour Members of the European Parliament (MEPs), who said talk of sanctions and retaliatory force was unrealistic and possibly counter-productive in view of British hostages in Lebanon.

Storehouse faces lower profits

By Maggie Urry in London

STOREHOUSE, the British retail group headed by Sir Terence Conran, yesterday warned of "significantly lower group profits" in its financial year ending next month and unveiled plans for a £48m ($84m) exceptional provision covering stock write-offs, reorganisation costs and several hundred job cuts among its non-sales staff.

Mr Michael Julien, Storehouse chief executive, said the planned strategic changes – which follow a review of the business since he joined the group in June last year – were necessary "to get a grip on the business as a whole."

They reflect in part the difficult trading conditions facing UK retailers generally as consumer spending has been squeezed by high interest rates.

Storehouse, formed by a merger three years ago, includes Habitat, the home furnishings business; BhS, the former British Home Stores; Mothercare, which caters for mothers and children; Richards, the women's fashion chain; and several other retail brands.

Mr Julien said the new strategy – which will also involve extensive reorganisation of the group's shops – would aim to develop Storehouse into "a coherent, integrated business of identifiable retail brands supported by common systems and shared services."

He said that after the merger the company had been "run as a collection of autonomous retail entities without firm central direction or support services, except for design."

He expressed confidence that there would be no further write-offs after the £48m provi-

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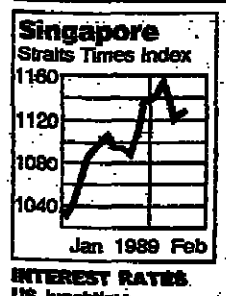
MARKETS

Singapore
Straits Times Index



INTEREST RATES
US lunchtime
Federal Funds 9 5/16% (9 1/8)
3-mth Treasury Bills: yield: 8.797% (8.778)
Long Bond: 99¼ (97¾)
yield: 9.058% (9.073)
London
3-month interbank close 12 11/16% (13)

STERLING
New York closing
$1.7710 (1.7742)
London:
$1.771 (1.7735)
DM3.2825 (3.27)
FFr11.097 (11.13)
SFr2.7725 (2.775)
Y223.75 (224.25)

DOLLAR
New York closing
DM1.8385 (1.841)
FFr6.2600 (6.269)
SFr1.5605 (1.56225)
Y126.0725 (126.25)
London:
DM1.8425 (1.844)
FFr6.265 (6.275)
SFr1.565 (1.564)
Y126.3 (126.4)

GOLD
New York latest
Comex Apr
$388.2 (+0.1)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,311.43 (+7.50)
S&P Comp
294.85 (+0.81)
London:
FT-SE 100
2,033.6 (-13.7)
World:
146.07 (Wed)
Tokyo
Nikkei Ave
32,347.26 (+197.78)
Frankfurt
Commerzbank
1,683.5 (+1.0)

OIL
Brent 15-day (Argus)
$16.55 (+0.25) (Mar)
West Tex Crude
$18.325 (+0.38) (Mar)

CONTENTS

Export credit policy high on Delors agenda for year

By David Buchan in Brussels

THE EUROPEAN Commission's "priority, even obsession" remained the completion of Europe's single market, Mr Jacques Delors, its president said yesterday. But he also promised early initiatives by Brussels this year in such diverse areas as workers rights, environment and export credit policy.

In a speech presenting the Commission's 1989 work programme to the European Parliament, Mr Delors admitted that by pressing into "such delicate" areas as tax harmonisation, the Commission "is stirring up doctrinal debates" in member states.

But he hoped that member states would not believe that Brussels was "malignly" gunning for any of their national laws, and that they would remember the effort the Commission was putting into bringing the positions of the Twelve together.

In the external policy aspects of his Strasbourg speech, Mr Delors singled out for special mention EC policy towards the Third World, just as this week Commission negotiators are holding another round of talks in Brazzaville with representatives of the 66 African, Caribbean and Pacific (ACP) countries on renewing the Lomé aid and trade convention.

But the Commission's latest annual work programme, which tells EC governments what proposals to expect from Brussels and when, contains far more on relations with its main industrialised trading partners. In the context of the hoped-for single market by 1992, it calls for "a more clearly focused commercial policy" in cars, shipbuilding, aircraft, shoes, and believes the time has come for Community competence to stretch to export credit, hitherto governed by arrangements reached in the wider forum of the Organisation of Economic Co-operation and Development.

The Commission believes that export credits to Eastern Europe need to be co-ordinated, particularly in the light of expected forthcoming negotiations for bilateral trade agreements this year with Poland, Bulgaria and the Soviet Union. Mr Ivan Ivanov, vice chairman of Moscow's State Foreign Economic Commission, yesterday started two days of preliminary talks with EC officials here.

Mr Delors said he hoped that the Commission, working together with newly appointed special co-ordinators from member states, would be able to produce for the Madrid summit in late June a progress report on abolishing EC internal frontier controls.

According to the new Commission programme, member states can expect this year from Brussels new proposals on harmonising corporate tax bases and rates, extending insurance liberalisation, improving banks solvency ratios, a European company statute providing for optional 'worker participation', setting common vehicle taxes and further liberalising fares, capacity and market access in air transport.

On its own authority in the competition field, the Commission is planning, among other actions, to issue a directive liberalising the telecommunications service market and to reduce obstacles and state aids in the energy sector.

The Commission's main "green" move this year will be a proposal to set up "a European Environmental Protection Agency".

Luxembourg yesterday asked the European court of justice to annul the European parliament's decision to hold some of its plenary sessions in Brussels, Reuter reports.

The Luxembourg Government, which fears the departure from the Duchy of hundreds of parliament officials, claimed the assembly had exceeded its powers in deciding on a different location for its plenary meetings than Luxembourg and Strasbourg.

Although most of the European institutions are located in Brussels, the Parliament's administration is based in Luxembourg city and its plenary sessions are held once a month in Strasbourg.

A majority of MEPs, however, want to bring all EC institutions together in the Belgian capital. A first move towards this goal was made on January 18 when they adopted a resolution allowing the assembly to meet in Brussels for some special sessions. France, which also objected to the resolution, did not join the court action.

Agreement signed on nuclear breeder that no one wants to host

By David Marsh in Bonn

FRANCE AND West Germany remain deeply divided over where to site a European nuclear fast breeder in spite of an agreement signed here yesterday between the two countries and Britain to join forces on building the European Fast Reactor (EFR) during the 1990s.

Officials from Electricité de France, the French state utility, reaffirmed that France does not want the EFR on its soil, reflecting its long-standing wish to give the Federal Republic the leading role in building and financing the next international breeder reactor.

West German officials however ruled out that the EFR could be built in the Federal Republic. This is in view of strong domestic anti-nuclear opposition which has prevented an almost completed fast breeder at Kalkar on the Lower Rhine from going on stream after years of wrangling with regulatory authorities.

The uncertainty over the EFR siting reflects the considerable disarray of the European fast breeder programme, which has been scaled back dramatically from ambitious plans at the beginning of the 1970s. Yesterday's agreements, signed by government, industry and research establishment representatives from the three countries, provide a framework for designing a 1,500 MW reactor which would cost around DM 6bn (£1.8bn) on present estimates.

The accords represent an effort by the three countries' nuclear establishments to keep their options open for developing a source of electricity which will not be commercially viable until well into the 21st century. No decision on the site for the plant will be necessary until 1993/94. However officials made clear that, even by then, West Germany would not come into question.

Mr Heinz Riesenhuber, the West German Technology Minister, is anxious to keep the public sector commitment to the controversial nuclear programme as low as possible. Speaking at yesterday's ceremony, he said the nuclear industry needed a long term view to look beyond the fears of the moment about nuclear energy.

Mr Jean-Pierre Capron, head of the Commissariat à l'Energie Atomique, the French atomic energy authority, said the three countries had to concentrate on boosting the fast breeder's economic competitiveness. French officials claim that France's Superphenix fast breeder produces electricity at 2.5 times the cost of first generation nuclear reactors, although the calculation has been upset by considerable technical problems which closed down the French plant temporarily last year.

David Fishlock, Science Editor, adds: Britain is now to have full access to performance details of Superphenix, a highly instrumented reactor from which it had been excluded.

British designers with the National Nuclear Corporation – a GEC subsidiary – believe they can achieve a big reduction in cost with their latest ideas for packing a more powerful system into a substantially smaller reactor containment of the same basic concept as Superphenix.

Mr John Collier, chairman of the UK Atomic Energy Authority, the senior British official in Bonn, said there was already mutual respect, understanding and confidence between the three national fast reactor teams. "We Europeans recognise our future interests are best served by working together."

New party formed in Yugoslavia

By Aleksandar Lebl in Belgrade

A POLITICAL group which claims to be post-war Yugoslavia's first non-Communist political party, the Social Democratic Union of Slovenia, was due to start its founding congress last night in the northern city of Ljubljana.

The movement's leaders say they intend to organise themselves along the lines of Social Democratic groupings in Western Europe, and claim that they have already established contacts with like-minded parties in Austria and West Germany.

Among the Social Democrats' most controversial policies is a demand for a separate Slovene unit of the Yugoslav national army. The army is currently one of the country's few institutions which is not divided into its republican parts. Relations between the Slovenian republic, by far the most liberal region of the country, and the armed forces have long been tense.

It remained unclear yesterday whether the Social Democrats would yield to official pressure to incorporate themselves into the Socialist Alliance, the Communist-dominated mass organisation which plays a key role in Yugoslav's power structure.

Other newly-founded organizations in Slovenia, such as the Democratic Union and the Farmers' Union, have agreed to operate at least formally within the Alliance.

The Social Democrats had until recently maintained that they would only join the Socialist Alliance if that body "transformed itself". However the Social Democratic leader, Mr France Tomsic, indicated yesterday that his party might have to yield to police pressure to join or face banning.

Mr Tomsic said that in the *face of police threats*, "We decided we'd have more success working inside the system than as a pseudo-political party."

Polish union move

The Polish Government agreed with Solidarity yesterday that provisions of a 1982 law which restrict unions to representing individual branches of industry should be dropped, Reuter reports from Warsaw. The law should be amended "to make it *possible for trade unions* freely to create their own organisational structures," a communique said.

Gulf widens between leaders and led in East Germany

Leslie Colitt reports on the mounting pressures for change in a country whose top echelons would rather keep things as they are

AN OFFICIAL crackdown last month in Leipzig on East Germans demanding a "democratic renewal" along the lines of the Soviet Union's reforms highlighted the widening gulf between the conservative East German leadership and the country's increasingly outspoken population.

At the same time, officials openly cast doubt on the viability of the Soviet economic and political reforms. Mr Mikhail Gorbachev's chances of survival would be bleak indeed if he had to depend on support from Mr Erich Honecker, the orthodox East German leader.

Party functionaries, taking a lead from him, are openly critical of Moscow's reformist zeal, reminding Westerners that Russia was always "backward" and that Russians have never known democracy. Any attempt to force reforms on East Berlin would be at the risk of an "upheaval", one warned darkly.

However, Professor Wolfgang Heinrichs, director of the Central Institute for Economics in East Berlin, is critical of officials who gloat with *Schadenfreude* over Mr Gorbachev's mounting problems at home. "Gorbachev is all we have," he declared recently. The Soviet leader was entirely right, he said, in noting that, if perestroika failed, the outlook for the Socialist community was bleak.

But East German officials who once extolled the Soviet Union as the only model for East Germany now look elsewhere. Dr Hans Modrow, first secretary of the Communist party in the industrially-important Dresden district, studied in the Soviet Union and knows its problems intimately. In a recent conversation, he suggested that East Germans felt closer to Japan, of which he is an ardent admirer.

At 60, Dr Modrow is regarded by some as a potential successor to the 76-year-old Mr Honecker. However, he is not a member of the politburo and thus lacks a power base. Meanwhile, the untiring Mr Honecker has made plain that he intends to stay on at least until the party congress in May next year.

The front-runner in the succession remains Mr Egon Krenz (51), who is the powerful central committee secretary in charge of security, youth and sport. He is deemed to be as much of a hardliner as was Mr Honecker when he rose to power in 1971.

A stagnating standard of living and opposition to reforms have caused Mr Honecker's popularity to sink to its lowest point since becoming leader. But the East German media continues to extol domestic stability while comparing it with rampant inflation and plummeting living standards in other Warsaw Pact states.

The authorities brand as "anti-Socialist" all attempts by citizen groups to lift the veil of secrecy over nearly all aspects of life. Thus, independent environmental groups seeking to obtain data on the country's serious pollution problem, are criminalised. At the same time, the Protestant church, which shields such groups along with civil rights activists, has seen its relations with the state sink to their worst level in more than a decade.

A senior churchman in Dresden said the authorities privately acknowledged the wide environmental pollution. But the political priority remained economic growth at all costs in order to prevent living standards from falling.

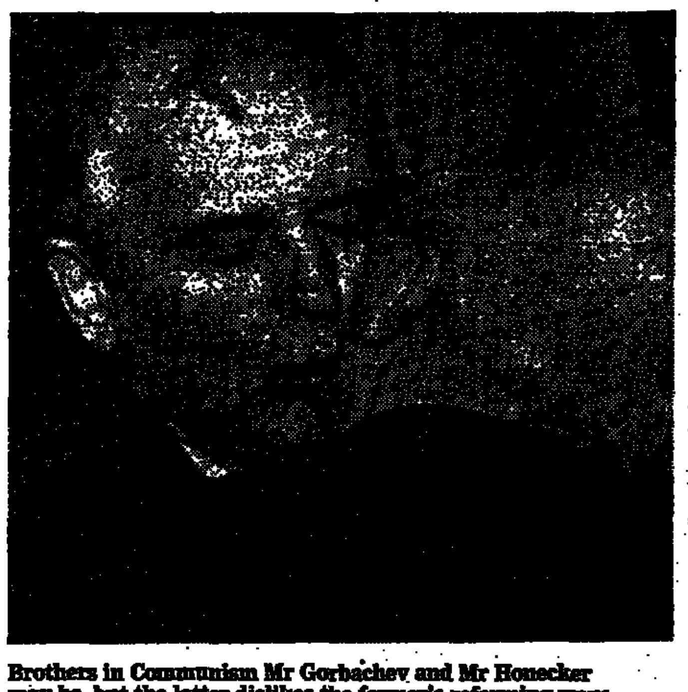
Supt Christian Ziemer of the Protestant church in Dresden said the basic problem was that "people no longer accept the GDR (East Germany) as their natural *Heimat* (home and country)."

It was an identity problem connected with the opening of East Germany to visitors from the West and vice-versa. People used to come to terms with the restrictions on expressing themselves, but were now highly conscious of this problem.

The younger generation was suddenly asking why things could not be changed in East Germany, but they and older citizens did not wish to become personally involved in a struggle for civil rights, he said. "It is easier for them to apply to emigrate."

Another Dresdener, in his twenties, expressed a widely-held sentiment in East Germany. "Not everything here should be criticised. Take our social policy, for example," he said. But he went on to lambast the lack of incentives to earn higher wages. It was not Mr Gorbachev's reforms which East Germans yearned for. Few citizens really cared about reforms in the Soviet Union. "It is the West," he said.

"It has totally outclassed us in the race for technological superiority and high standards of living. Once upon a time we spoke about overtaking West Germany, but now we would be satisfied just to keep what we have."



Brothers in Communism Mr Gorbachev and Mr Honecker may be, but the latter dislikes the former's reforming ways

Spain gives assurance on Letras

THE SPANISH Finance Ministry said yesterday it had no plans to change its tax requirements for foreigners investing in one-year Treasury bills or other government paper, but it would enforce the payment of existing taxes which foreign investors in the past had not always paid, Reuter reports from Madrid.

El Pais newspaper reported earlier that Spain would apply a withholding tax on the bills – Letras del Tesoro – held by non-residents.

A Finance Ministry statement said tax on capital gains on one-year Treasury bills held by non-residents was 20 *per cent when the investor's* country had no reciprocal tax agreement with Spain.

It ranged from five to 15 per cent where such agreements existed.

Discount houses should apply existing legislation rigorously, the statement added, and would be held strictly responsible if they did not.

"*No change in the tax* regime applying to Treasury bills or any other public debt instrument is foreseen," the statement said.

Economists say many foreign investors have been avoiding tax on capital gains by selling Letras del Tesoro before maturity.

Portuguese inflation up sharply

By Diana Smith in Lisbon

A STUBBORN, sharp rise in Portugal's cost of living last month suggests Mr Anibal Cavaco Silva's Government is losing its much-vaunted war on inflation.

With a January monthly rise *of 1.5 per cent and yearly total* of 12.2 per cent, inflation is far from the 5.5-6 per cent year-on-year target vainly set for December 1988 then postponed to March 1989. It also outstrips averages in the European Community whose lower levels the Government promised to reach by 1990.

After three years' steady *decline inflation* began to rise again last June. Food prices were hit by torrential 1987-88 rains and a disastrous farming year. Now, the unusually-dry autumn and winter are again pushing up food prices.

Imported inflation, from which the authorities escaped in the 1985-87 bonanza of cheap oil, commodities and dollar, is now increasing, as are domestic lending rates (now above 21 per cent for short-term loans).

Echoes of the failure of over-confident officials to win a much-publicised battle, are reverberating in Mr Cavaco Silva's recent plunge in the opinion polls, union demands for higher wages and reluctance by manufacturers to rein *in prices as they* once did to help the Government be seen to be reducing inflation.

Fed expects 6% inflation in US, says Stoltenberg

MR Gerhard Stoltenberg, the West German Finance Minister, told parliament yesterday that he understood that the Federal Reserve now expected the US inflation rate in 1989 to be 6 per cent, Reuter reports from Bonn.

The Reagan administration's projection for inflation this year calls for an annual rate of only 3.6 per cent, and the Bush administration has not so far made a forecast. The current rate is 4.4 per cent. A rate of 6 per cent would be at the high end of market expectations, with some forecasts as low as 4 per cent.

Mr Stoltenberg said West Germany's 1989 inflation rate was heading for 2.5 per cent. "We must take this seriously," he said.

He noted that the Federal Reserve now put US 1989 inflation at 6 per cent rather than 5 per cent, while inflation in Britain was now 7 per cent and in Italy approaching 6 per cent.

Rising inflation justified a recent tightening of monetary policy by central banks, he added. West Germany's central bank, the Bundesbank, left its leading interest rates unchanged yesterday despite strong market speculation of an increase.

But some economists said the decision might only have postponed an interest rate rise aimed at countering worrying signs about domestic inflation.

A meeting of the bank's policy-making central council left the key discount and Lombard lending rates unchanged at 4 and 6 per cent respectively.

Consumer prices jumped by 2.6 per cent in the year to January, after an increase of only *1.6 per cent a month earlier.* Wholesale prices, an indication of future trends in consumer prices, rose 5.1 per cent.

Hungary and Romania may both sign United Nations convention on refugees

By Judy Dempsey in Vienna

AS THE number of ethnic Hungarians from Romania who are seeking political asylum in Hungary increases, both countries are now considering joining the United Nations 1951 *Convention on Refugees.*

More than 12,000 ethnic Hungarians have already been granted permits to remain in Hungary but officials in Budapest believe there are thousands more in the country. Many of them, who come from Transylvania, the home of 1.7m ethnic Hungarians, have crossed illegally or on short-term visas and are refusing to return because they say they are denied the right to learn and speak in their mother tongue.

Romanian officials have consistently rejected such claims, arguing that all the minorities have full rights and are not discriminated against.

Since 1988, several special camps have been set up both in Budapest and in Debrecen, which is close to the Romanian border to cater for the ethnic Hungarians. But both the *expense and the growing prob*lem has prompted the Hungarian Foreign Ministry to open up negotiations with the UN High Commission for Refugees.

Last week, Mr Ghassan Arnaout, the UN's *chief* legal expert on this matter, held talks in Budapest and said the Hungarians were seriously thinking about signing the 1951 Convention. If this is the case, Hungary will be the first East European country to do so and is a reflection of the ministry's policy of moving closer to the West.

If Hungary presses ahead, this could lead to an extremely complex problem in terms of its relations with its Eastern neighbours.

In theory, it could mean that citizens from East Germany, Czechoslovakia and Romania could take advantage of Hungary's new status and make *efforts to cross the border into* neighbouring Austria which is already experiencing serious difficulties in coping with the influx of people come from Eastern Europe.

Alternatively, Hungary could demand that the citizens from these countries require proper entry visas and other travel documents.

Meanwhile, in a surprise development, Romania said it would now think about signing the Convention.

Mr Georghe Dolgu, the Romanian ambassador in Geneva, raised the matter with Mr Arnaout and the UN Commission for Refugees intends to visit Romania probably in May.

Government takes back seat to Italian party manoeuvring

John Wyles on the intense behind-the-scenes activity which has preceded tomorrow's Christian Democrat congress

HOW EXTREME is the game of politics in Italy. For the past month the Christian Democratic party (DC), the dominant party of government for 40 years, has been talking to itself. Government activity has been reduced to a shuffle as key ministers, from the Prime Minister downwards, have passed hundreds of hours in frequently *acrimonious backroom* meetings, preparing for an event which has clearly preoccupied them far more than the public deficit, the Mafia or any other national problem.

Tomorrow, however, the rituals of 16th century Florence must give way to the trappings of 20th century democracy when a thousand or more delegates gather for the first congress since 1986, and arguably the most important of *this decade.* And by Tuesday or Wednesday (democracy is flexibly programmed in Italy) we should know whether the political terrain inside the party has shifted so far as to rob Mr Ciriaco De Mita, the leader and Prime Minister, of much of his political authority.

This is not a concept which has mattered much to the party in the past. Power has been understood in terms of electoral success delivering effective control of the state's political and economic institutions.

In the eighties, however, the electoral pickings have been thinner (the DC has dropped from 42.4 per cent of the vote to 34.3 per cent in 30 years), competition from the Socialist party much stronger and the basic popular demand for more efficient government more manifest.

In only the past 10 months of his seven-year term as party secretary has Mr De Mita begun to see the world through the eyes of a man of government rather than party. He has grasped the size of the nation's problems (public debt, bureaucracy, poor public services) and the difficulty of supplying a governing *response through a rowdy five-party* coalition based on a party, his own, which tends to bring neither application nor coherence to the task.

Though he would dearly like to remain leader, Mr De Mita appears to accept that DC tradition and a change in the balance of internal forces within the party probably decrees that he must step down. He is determined, however, to maintain *the strongest possible grip on his* party, fearing that otherwise his coalition will expire by the autumn, lacking the strength and credibility to fulfill his ambition of a 2-4 year term.

The impact of renewed governmental weakness and political crisis on the country's real problems – above all on the battle to control public deficits and debt – would be disastrous. Urgently needed spending cuts will not go through, and financial markets will demand still higher real interest rates in return for providing new debt and servicing the old.

But the DC is ill-accustomed to the idea that party exigencies must be adapted to those of government. As a federation of interests ranging from the social democratic left to the soft right, it has believed for 30 years that allowing its leader to act as Prime Minister limits too severely the party's room for independent political initiative.

As a result, many Premiers, mere faction leaders without control of the party, have in the past been whisked out of office by factional in-fighting.

Simple judgment suggests that the DC would be unwise to treat Mr De Mita in the same way because he is the first authoritative party figure to hold the premiership since 1981 and is the key to its fortunes in this June's European Parliament elections.

Moreoever, the premiership has come to be seen within the country as a more important position of leadership due to the efforts of Mr Giovanni Spadolini and Mr Bettino Craxi, the Republican and Socialist leaders who filled the office for the six years to 1987. If the DC congress puts any distance between itself and Mr De Mita, its claims to be Italy's natural party of government would begin to look rather threadbare.

This is the Prime Minister's key theme and one he has been stressing in every weekend speech to rallies of the faithful. If he cannot manoeuvre the congress in some way to re-elect him secretary, and it looks unlikely that he can, he will have three basic aims:

● To ensure that the congress endorses the "political line" he has traced both in terms of public policy and party management over the last seven years.

● To secure the election of a secretary over whom he could exercise *some control.*

● To have himself elected president of the party so as to emphasise that he remains a major political figure.

The problem is that Mr De Mita is sure of a majority only for *his* political line. Since he was re-elected without opposition in 1986, the old DC factions have reformed with a vengeance.

The Prime Minister is nominal leader of the DC left which will command around 35 per cent of the votes at the congress. As both leader and Prime Minister he has taken care of his own, creating resentment by posting his men, frequently, but not exclusively, southerners, into key positions not only in the Government, but also Parliament and public sector banking and industry.

How much he gets his own way depends on how far he is willing to satisfy the so-called *Azione Popolare* (also known as Grand Centre) faction with 37 per cent of the votes. Assembled by Mr Antonio Gava, the Interior Minister, this faction puts the need for party unity above policy, and the search for power above principle.

Mr Gava wants to cut down Mr De Mita, but not to humble him. He might be content to have him as president of the party if *Mr De Mita* would swing behind a unity candidate.

For a week or so, this designation has sat on the shoulders of Mr Antonio Forlani whom Mr De Mita does *not want. Mr Forlani has* been secretary in the past and Prime Minister for seven months in 1980-81. Nice and not too industrious, Mr Forlani is, none the less, his own man with his own followers ("Forlaniani") in the party.

His election to the secretaryship would be seen, therefore, as a defeat for Mr De Mita, for which the party presidency would not be sufficient compensation. But will the Grand Centre (which "adores Vaseline and gentle change, with no dead in the streets," writes one leading commentator) really confront Mr De Mita and perhaps even risk his resignation ?

It is being encouraged to do so by the other powerful DC baron, Mr Giulio Andreotti, the 70-year-old foreign minister, who is the country's most popular Christian Democrat, has the backing of the Roman Catholic church and 18 per cent of the delegates. Having been so five times in the past, Mr Andreotti would like to be Prime Minister again and appears to have little anxiety that the DC may run the risk at this congress of weakening its hold on power.

MR CIRIACO DE MITA, the Italian Prime Minister, has circulated his cabinet colleagues with plans for apparently deep-rooted cuts in health and pensions spending which also seek important economies in the cost of public employment and rail subsidies, writes John Wyles.

He wants the proposals to be seen as an urgent response to the need to reduce public spending this year if the budget deficit is to be brought back from around L130,000bn (£54.5bn) to the original target of L117,300bn (£49.2bn). But his plans, prepared by a committee of experts, are also designed to curb spending mechanisms in the years ahead.

The most important provisions would be to raise the male pensionable retirement age from 60 to 65 and female from 55 to 60. Pension increases would be indexed for inflation only for general pay rises negotiated in the economy. Charges would be reintroduced for a range of health services and the administration of the service would be given to professional administrators.

Civil service and local authority pay rises would be limited to 1 per cent in real terms for the next three years and seniority payments replaced by merit and productivity criteria. Meanwhile, railway charges would be raised by 30 per cent over three years.

The fate of the proposals will be strongly influenced by the outcome of his party's congress this weekend. If he is seen to lose the battle for power and influence, his chances of piloting them through the cabinet and Parliament are minimal.

Belgian kidnapping suspect arrested

A YUGOSLAV suspected of kidnapping former Belgian prime minister Paul Vanden Boeynants was charged with theft and possession of false documents in the eastern French city of Metz yesterday, Reuter reports.

Bajrami, 34, was arrested on *Tuesday at Metz* railway station. He was carrying a large sum of money.

French police sources and said he was suspected of kidnapping Mr Vanden Boeynants, who was freed on Monday after a ransom of up to £1.4m was paid.

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OVERSEAS NEWS

Premadasa wins secure majority in Sri Lanka

By Mervyn de Silva in Colombo

SRI LANKAN voters who defied death threats and an election boycott called by the extremist Sinhalese JVP gave President Ranasinghe Premadasa a secure parliamentary majority on Wednesday.

In an enlarged assembly of 225 MPs, elected for the first time on a complicated proportional representation system, the ruling United National Party won 125 seats. The main opposition party, Mrs Sirimavo Bandaranaike's Sri Lanka Freedom Party, won 67 seats. Parties and groups representing the Tamils and Moslems of the island's north and east can count on a solid block of 23 MPs. Two small radical parties won three seats each.

Voter turnout was more than 70 per cent in some constituencies in spite of weeks of pre-election violence which claimed as many as 200 lives. In the presidential election in December, the percentage poll of 55 was an all-time low.

The UNP and SLFP lost heavily in the Tamil and Moslem areas, to make the communal divide even more striking. In the deep south, the JVP stronghold, the turnout was less than 20 per cent. Containing the Sinhalese youth revolt is likely to become as serious a challenge to President Premadasa as did the Tamil youth insurgency for his predecessor.

The Tamil Tigers, while officially boycotting the polls, made no serious effort to disrupt them. In fact, the voting in some Tamil areas suggests they may have backed some sympathetic independents.

The Tamils, who run provincial councils in the north and east set up under the India-Sri Lanka peace accord, have returned to parliament in Colombo which they had boycotted for the past six years.

While this is a tribute to Indian diplomacy, it could present problems for Mr Rajiv Gandhi, the Indian Prime Minister. Mr Gandhi's Congress Party was recently trounced by the Tamil nationalist DMK in the south Indian state of Tamil Nadu. The Tigers are sure to use the Tamil MPs in Colombo as well as the DMK government in Madras to persuade Mr Gandhi to get the Indian troops off their backs.

Aura of scandal taints future prospects for Recruit

Ian Rodger reports that withdrawal of government favour will hit the Japanese publishing group hard

THE future of the Recruit publishing group as an independent entity looks increasingly in doubt as the scandal over its large gifts to leading politicians, civil servants and businessmen spreads.

It is emerging that most of Recruit's businesses – publishing magazines on job and housing markets, developing and financing condominium apartments and offering computing and data communications services – relied heavily on special favours from various levels of government. These will not be available in the future and, in some cases, government officials may go out of their way to be nasty to Recruit. Also, for some divisions, the company name, which was a big asset, has now become a liability.

As a result, speculation is growing in Tokyo that the once high flying group, which had sales in 1987 of Y430bn ($3.3bn), will soon be broken up and its parts absorbed by other companies.

Recruit's business problems have been building ever since the scandal over the placement of Recruit Cosmos shares with leading politicians, civil servants and businessmen came to light in June. They have become especially serious in the last few days since the group's founder and former chairman, Mr Hiromasa Ezoe, and three other top group executives have been arrested and detained in custody.

On Wednesday, the Ministry of Education ordered school boards across the country to cease giving out lists of students to private companies. While the move applies to all companies, it was aimed particularly at Recruit, which used the lists for distributing its profitable college guidebooks to students.

On Tuesday, Nippon Investors Service, a leading Japanese bond rating agency, announced that it had shelved its rating assignments on three issues of unconvertible bonds of Recruit Cosmos. NIS said that because of the scandal it had become extremely difficult to make reliable earnings estimates for Recruit Cosmos. Analysts noted that NIS was owned by a number of leading Japanese banks and its moves could sometimes be interpreted as a signal of the banks' thinking.

As a private company, Recruit does not publish financial statements, but Tokyo analysts believe that it has become very highly geared, largely on bank finance. According to reports circulating this week, the group's total borrowings from 10 leading commercial banks amount to about Y1,700bn, and its total assets, mainly real estate, no longer exceed this amount by much.

Moreover, analysts expect that cash flow into Recruit Cosmos, which has grown very rapidly in the past few years to become Japan's second largest condominium builder, must be suffering. "Would you put down a deposit to buy a home from this company?" Mr Jim Doherty of brokers Jardine Fleming Securities in Tokyo, asked rhetorically.

Mr Akio Mikuni, president of Mikuni & Co, another bond rating service, said that Recruit Cosmos had grown rapidly in large part because it used the group's influence with politicians to get its development projects through the complex web of government approvals. "Its lubricants are not going to be working in the future," he predicted.

Meanwhile, the Ministry of Education's move to block distribution of student lists to Recruit will hurt the company's publishing business. The company compiles an annual guidebook on the plans of graduating high school students on the basis of surveys made among the students. It then solicits advertisements from potential employers and distributes the books to students all over the country. It will now be more difficult for the group to assure full distribution.

The claims in the advertisements in these guidebooks have also been criticised from time to time, but Recruit succeeded in 1984 in blocking a Labour Ministry attempt to tighten regulations on these adverts. Now, those regulations are likely to be tightened.

One of its other publications, a weekly magazine on the real estate market, is widely believed to have had a mutually beneficial information exchange with Recruit Cosmos over the years, but this will presumably no longer be so valuable in the future.

In its computer services and data communications business, Recruit benefited greatly from its special ties with Nippon Telegraph and Telephone up to now to build up a position in these new markets. It has emerged that NTT officials actually went around to customers with Recruit salesmen, recommending that they buy services from the newcomer. However, such generosity is unlikely to be forthcoming in the future.

Recruit has invested heavily in computing services but has not yet achieved profitability in this sector, analysts say. However, its stained name is already hurting its sales prospects. For example, Matsushita Electric Industrial, the giant consumer and industrial electronics group, has backed away from a plan to use a supercomputer that Recruit has installed in Osaka. Analysts suggest that the Recruit businesses, if put up for sale, could be of interest to companies in similar sectors or to a general trading company, but doubt that any bidders would come forward in the near future because of the whiff of scandal.

Normally, in a situation like this in Japan, a company's lead bank would take charge of things, injecting managers and trying to find a long term solution with a minimum of disruption. However, Recruit does not have a lead bank, so the prospect of a long, messy restructuring cannot be ruled out.

Inevitably, the name of Sumitomo Bank as a potential rescuer has been named. Sumitomo has acquired some fame for taking over troubled businesses and turning them into success. However, a Sumitomo official said yesterday the speculation was unfounded and that Recruit was not of interest.

Key Afghan group returns to shura

By Our Foreign Staff

A KEY moderate Afghan rebel group last night returned to the *shura*, a special council debating the makeup of a possible interim government for Afghanistan, but the council's divisions seemed no nearer solution.

The Afghan National Liberation Front (ANLF) returned to the shura following a two-day boycott after Moslem fundamentalists proposed an interim government for Afghanistan, Zabihullah Mojaddidi, a party spokesman said.

Front members said their absence – sparked by disagreements over how many seats should be given to eight Tehran-based mujahideen groups – weakened opposition to a government under Ahmad Shah, a fundamentalist US-educated engineer.

The proposed provisional government is the same one created last summer. But Mr Mojaddidi said the proposal was incomplete and that "we don't believe it should be discussed at this stage."

His group wants issues such as the role of the head of state and the government to be determined before the council votes.

His father, ANLF leader Sibghatullah Mojaddidi, is acting chairman of the seven-party Moslem rebel alliance based in Pakistan that is fighting to overthrow the Afghan government of President Najib.

The ANLF boycotted the shura after the elder Mojaddidi's proposal to allow rebels based in Iran into the council was rejected by the other Pakistani-based leaders.

Mr Mojaddidi said another reason for ending the boycott was the acceptance of fundamentalists in a seven-party Pakistan-based alliance of a commission to investigate the problem of the Tehran-based representation.

The shura commission started hearings on Wednesday, but Tehran-based leader Mohammad Karim Khalili said no progress had been made in finding a solution to the problem of the Iranian-backed groups.

He told a news conference on Thursday in Rawalpindi, the garrison town near which the shura is meeting, a solution was no nearer than a week ago.

In Afghanistan, fighting, which had lulled, intensified around Kabul, the capital and provincial cities.

Radio Kabul claimed 34 guerrillas were killed in fighting during the past 24 hours.

A barrage of rockets hit two cities, killing 12 people, Radio Kabul reported yesterday. It said that six people, including three children, died when six rockets blasted into residential areas of Kabul, and another six people died in Ghazni city, about 105 miles south of the capital, in another rocket attack.

Fighting continues with shelling and aerial bombardments around Afghanistan's second city, Jalalabad, on the road between Kabul and Pakistan, continuing to drive refugees into Pakistan.

Radio Kabul earlier reported that hundreds of Pakistani troops had been deployed around the eastern city of Jalalabad and along Pakistan's border with Afghanistan, repeating allegations of Pakistani interference which Pakistan denies.

Pakistani Prime Minister Benazir Bhutto told a news conference on Monday "there is not a single troop sent into Afghanistan," nor does Pakistan plan to send any in.

The Afghan government yesterday thanked the Soviet Union for its help in Afghanistan but said future relations should develop on the basis of non-interference in each other's internal affairs.

"The government of the republic of Afghanistan, on behalf of the entire people of the country, expresses its appreciation to the people and the government of the Soviet Union for their all-sided assistance and continued solidarity in the cause of defending Afghanistan's national sovereignty, political independence and territorial integrity," the government said.

It accused the United States and Pakistan of "virtually trampling" on the Geneva agreements that paved the way for the withdrawal of the Soviet soldiers, who entered the country in December 1979.

World Bank leads aid plan for Philippines

By Richard Gourlay in Manila

THE World Bank has accepted a co-ordinating role in a $5bn-10bn multilateral aid plan for the Philippines.

The move seems to ensure the country will continue economic adjustment policies proposed by international bankers, the International Monetary Fund and the Bank.

Mr Barber Conable, the World Bank president, said the so-called mini-Marshall plan, which Japan and the US are likely to play the largest part in financing, was now dependent on the Philippines to identify donors.

How active a role the World Bank will take is still unclear because the plan is in such an early stage. A respected businessman, Mr Roberto Villaneuva, was appointed last month to speed disbursements of aid already committed and co-ordinate the new plan.

However, officials said mini-Marshall aid projects were likely to be scrutinised by the World Bank which already makes a number of loans conditional on structural adjustment in specific areas of the economy. Donor contributions are likely to be "dependent on certain economic goals being achieved through our programmes", Mr Conable said.

The World Bank's involvement in long-term economic policy will complement the short-term financial stabilisation impact of IMF programmes, such as the $1.3bn package now being finalised, he said.

On Wednesday President Corazon Aquino called for more assistance from the international community.

"Our resources are severely constrained, with up to 30 per cent of our foreign exchange receipts used to pay our external debt (now $28.9bn) and 43 per cent of our budget diverted to service our external and domestic debts," Mrs Aquino said.

Once the IMF programme is in place, talks with commercial bank creditors for up to $1.6bn of new money and re-negotiations with the Paris Club of official creditors will resume.

Mr Conable praised the Philippines as by far the best performer of the 17 heavily indebted countries, having successfully grown at 6.7 per cent last year while keeping its inflation rate at below 10 per cent.

Three detainees leave a Johannesburg hospital where they were treated during the strike

S African detainees end hunger strike

THE hunger strike by about 300 of the estimated 800 South African prisoners detained without trial appeared to be over last night after church leaders and lawyers received government assurances that many would be released, writes Anthony Robinson in Johannesburg.

Strikers at Johannesburg's Diepkloof prison, where the hunger strike began 27 days ago, ended their fast early yesterday morning after being briefed by lawyers about a meeting on Tuesday with Mr Adriaan Vlok, Minister for Law and Order.

Leading clerics, such as the Reverend Frank Chikane, general secretary of the South African Council of Churches, had earlier urged detainees to suspend their action pending the outcome of the meeting.

Prisoners in Port Elizabeth and other jails decided to follow the Diepkloof example while clerics such as the Reverend Allan Boesak, who joined the hunger strike as a gesture of solidarity, said they would end their fast.

The key element in a compromise reached at the meeting appears to have been the willingness of Mr Vlok to examine each case with a view to recommending release where possible.

Brigadier Leon Mellet, police spokesman, said only about 800 people were still in detention out of 30,000 held since the state of emergency was reimposed in June 1986.

"Release of detainees is an on-going process. Many of those still in detention will be released in coming weeks although some of them may still have some restrictions placed upon them. Others may be charged," he said.

UN approves plan for Namibia

THE United Nations Security Council yesterday authorised an independence plan and peacekeeping force for Namibia, taking one more step to end 74 years of South African rule over the continent's last colony, Agencies report.

The 15 council members unanimously adopted a resolution implementing an independence plan for Namibia that has been in readiness since 1978.

April 1 was set as the date to begin the one-year plan for Namibia's transition to an independent, majority-ruled nation.

The resolution also approved a recent report by Secretary-General Javier Perez de Cuellar on implementing the plan, which calls for sending 4,650 UN peacekeepers, 500 police supervisors and at least 1,000 civilian election monitors to the territory. The mission will be called the UN Transition Assistance Group (Untag).

Three enlarged infantry battalions will comprise the military arm of Untag. These are expected to be supplied by Finland, Kenya and either Malaysia or Bangladesh.

Mr Perez de Cuellar has estimated the project will cost $416m in its first year, making it the biggest UN peacekeeping mission since the Belgian Congo operation of 1960-64, which cost more than $400m at that time and involved 19,828 soldiers at its peak.

Meanwhile, the General Assembly prepared to authorise funds for a 70-man team of UN military observers who will monitor the withdrawal of 50,000 Cuban troops from Angola.

Half of the 50,000 Cuban soldiers must have withdrawn by November 1, when Namibia is scheduled to begin a week of elections for a constituent assembly. The rest are to be out by July 1991.

Liberalisation puts India in two minds over multinationals

David Housego on the Bhopal payout

THERE could be no more striking demonstration of the complex and confused attitudes in India towards foreign multinational corporations than two events that occurred yesterday in Delhi.

The Indian press, belatedly but with virtual unanimity of view, published editorials condemning the Government for accepting the $470m compensation awarded by the Supreme court to victims of the 1984 Bhopal gas tragedy. The conservative Hindustan Times (itself owned by the Birla family, one of the most multinational of the Indian business groups) said: "The amount settled for is peanuts. The Bhopal case also shows how powerless are the third world countries against the multinationals."

The condemnation in the press means that the opposition will certainly take up the issue as another cudgel with which to beat Prime Minister Rajiv Gandhi when parliament reconvenes next week. Mr V.C. Shukla, Information Minister under Mrs Indira Gandhi, and now an opposition leader in Madhya Pradesh where the gas leak occurred, set the tone yesterday by accusing the Government of "surrender" and demanding the $470m be seen as "interim compensation".

The other event was the confirmation at a press conference in New Delhi by Mr Denys Henderson, chairman of ICI, that the British-based chemicals group intended to re-assert the multinational identity of its Indian subsidiary by renaming it ICI India. The company operates under the label of Indian Explosives Ltd (IEL).

When Mr Henderson, who has been on a week-long visit to India, earlier explained the move to a business audience in Bombay and to IEL dealers in Madras, he received warm applause. In Madras, a union leader responded by saying that his union had always stuck to the ICI label.

The two incidents reflect an ideological clash in a country which is still uncertainly navigating between its post-independence commitment to socialism and non-alignment, and its growing but uneasy embrace of economic liberalism.

The editorials draw on a long history of hostility to multinationals as indifferent to the welfare of developing countries and as putting balance sheets before human values. Distrust of foreign capitalism lies behind the Indian foreign exchange regulations which normally limit foreign companies' equity holding to 40 per cent.

The difficulties that multinationals meet in India was one of the reasons that ICI considered pulling out a year or two ago. By comparison, a factor in its decision to stay and re-assert its multinational identity is the more competitive and outward-looking environment it now detects.

Mr Henderson said he saw a growing realisation that "India must consider itself part of a world market". Ten years ago the balance of opinion in India was still hostile to multinationals as symbolised by Coca-Cola's winding up its operations. Overall the balance today is favourable as reflected in Coca-Cola's application to return. The difficulties it is experiencing in gaining approval for its project demonstrate as well the uncertainties of a transition phase.

Behind the indignation in the Indian press at the $470m compensation (roughly equivalent to India's existing current account deficit) is the sense of humiliation that Indian lives have been valued more cheaply than American ones and that the Government has accepted this. In practice official compensation for those killed in railway or other accidents puts a value on human life in India of Rs2,000-Rs10,000 (£73-£365). The $470m works out at substantially more than that.

The editorials also reflect anger that Union Carbide has escaped without formally admitting any liability.

In Bhopal, interviews conducted by local reporters suggest there is more relief that the litigation is over than anger at the size of the award.

"There is no point in now saying that the amount is too low", one Bhopal resident was quoted as saying yesterday. "The fact is that Union Carbide is so powerful that we cannot fight it long. A compromise always has an element of surrender."

This readiness to compromise could change if the funds to be distributed disappear in bureaucratic delays or in corruption. There were plenty of cynics in Delhi yesterday who argued that the award would end up in officials pockets.

Help for UK companies, Page 6

Rabin tells Palestinians PLO talks are 'delusion'

By Andrew Whitley in Jerusalem

MR YITZHAK Rabin, the Israeli Defence Minister in charge of putting down the Palestinian uprising, is taking advantage of a decline in the violence to try to entice the inhabitants of the West Bank and Gaza Strip into a political dialogue.

Insisting that his initiative was broadly endorsed by Prime Minister Yitzhak Shamir, the Likud leader, and "most" other members of the coalition government, Mr Rabin did not conceal his goal of separating the 1.7m Palestinians in the occupied territories from the Palestine Liberation Organisation.

"If you are hoping the dialogue between the US and the PLO will bring about a solution (to your plight), you are deluding yourselves," he told Palestinians last night in an interview on the Arabic service of Israel Television.

He argued that recent high-level contacts between West European governments and Mr Yassir Arafat, the PLO chief, would bring no practical changes on the ground.

Meanwhile, he noted, the Administration of President George Bush had made clear it would not impose any solutions on Israel. Local Palestinians thus had little choice other than to negotiate directly over their future with the Israeli Government, Mr Rabin said. He repeated his previously outlined plans for so-called "political elections" followed by a period of far-reaching autonomy for the region and, later, confederation with Jordan.

The peace plans to be taken to Washington by Mr Shamir in April would be largely based on his ideas, he said.

Trying to reassure Palestinians who see his proposals as "waste disposal autonomy", Mr Rabin said the Government accepted the West Bank and Gaza Strip "as a political entity".

New, cleaner Moscow sets off for the Middle East

With Afghanistan behind them, the Soviets go on diplomatic tour. **Quentin Peel** and **Victor Mallet** report

MR EDUARD Shevardnadze's 10-day tour of the Middle East, which begins today, is neatly timed. The Soviet Foreign Minister sets off only two days after the departure of the last Soviet troops from Afghanistan, where Moscow's fight against Moslem rebels alienated many Arabs.

Even without the Afghanistan factor, it is a propitious moment for Soviet attempts to resolve the Arab-Israeli dispute.

Soviet diplomacy had a hand in persuading the Palestine Liberation Organisation to accept the existence of Israel at the Palestine National Council meeting in Algiers last November, and Soviet relations with Israel are at their warmest since Moscow broke diplomatic ties at the time of the 1967 war.

Mr Shevardnadze's tour of five countries – Syria, Jordan, Egypt, Iraq and Iran – amounts to the most concerted and high-level Soviet effort in the region in recent years, underlining Moscow's desire to present itself as an acceptable intermediary in Middle East peace efforts.

In addition, Mr Shevardnadze is clearly hoping to reinforce the gradual improvement in relations with Iran.

But the trip is notable primarily for the attention paid to the moderate Arab states in the Middle East, with a revival of high-level contacts with Egypt, and the first-ever visit by a Soviet foreign minister to Jordan.

"There will be several essentially new ideas in the diplomatic baggage we will be taking with us on this trip," Mr Shevardnadze said in an interview before his departure. "The Soviet Union, being inseparably linked with the region geographically, historically and politically, can and must contribute to a settlement of this long drawn out and extremely troublesome conflict."

Soviet officials want to seize the opportunities arising from the renunciation of terrorism and the recognition of Israel by Mr Yassir Arafat, the PLO leader, which opened the way for the start of a dialogue between the PLO and the US.

The two superpowers, no longer at loggerheads with each other, appear well placed to manoeuvre the various parties into preliminary negotiations about a Middle East peace settlement, even if the new US Administration of President George Bush is more inclined to caution than to bold initiatives. It is thought that Mr Shevardnadze may meet Mr Arafat in Baghdad.

Paradoxically his first stop might be the most difficult. Syria is the traditional Middle East protégé of the Soviet Union, but it has been left on the sidelines by Mr Arafat's recent conciliatory initiatives and the end of the Cold War.

The Soviet Foreign Minister is unlikely to look favourably on President Hafez al-Assad's continued support for radical Palestinian factions opposed to Mr Arafat. He will probably urge President Assad to patch up his relations with Mr Arafat, and he will doubtless encourage the tentative rapprochement between Syria and Egypt, which is slowly being accepted back into the Arab fold after the disgrace of its 1979 peace treaty with Israel.

Shevardnadze: new ideas

Syria insists that it must be a party to any Middle East settlement, but it is clearly worried by the contrast between generous US backing for Tel Aviv and the lack of Soviet enthusiasm for the Syrian dream of "strategic parity" with Israel. "If the Americans are not going to change their policy, it means that the Soviets have to reconsider their Middle East detente policy," Mr Farouq al-Sharaa, the Syrian Foreign Minister said recently.

So far, however, the Soviet Union has shown no inclination to do any such thing. Instead it has pressed Syria to keep repaying its $15bn military debt to Moscow, and at the same time strengthened its links with traditionally pro-western and conservative Arab states.

In Iran and Iraq Mr Shevardnadze is expected to try to consolidate the Gulf war ceasefire. Although the Soviet Union was Iraq's biggest arms supplier during the war, it is anxious to improve relations with Iran, which lies on its southern border close to the Soviet Union's own Moslem communities.

The one missing element in the visit is any attempt to raise the level of relations with Israel, but even on that score the Soviet Union has managed to reopen its lines of communication without arousing Arab fury.

Diplomats in Moscow believe the Soviet Union has been remarkably successful in renewing its links with Israel. "They have done it behind closed doors, and using consular excuses," according to one Western diplomat. "They are now very well placed because for the first time in years they can say they are talking to both sides."

WORLD TRADE NEWS

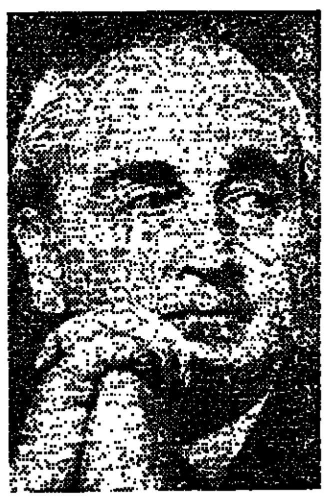
India poised to act over barriers to UK investment

By David Housego in New Delhi

INDIA is expected to establish a mechanism that will help British companies sidestep some of the bureaucratic obstacles that can impede foreign investment in India.

The move, likely to be announced during the visit to India next week of Lord Young, the British Trade and Industry Secretary, would confer on British companies the same "fast track" status accorded to Japanese and West German groups. France is also seeking to join the list.

What India calls the "fast track" procedure was initially granted to Japan after a visit there by Mr Rajiv Gandhi, the Prime Minister. It involves senior officials from several ministries getting together with foreign officials and businessmen, normally monthly, to discuss obstacles to investment. For companies, it provides regular access to high-level officials. British businessmen are keen to have the same facility which they regard as giving the Germans and Japanese a competitive advantage. India would like to see the extension of the facility to Britain being accompanied by an increase in British investment. The move would also symbolically close a cool period in British-Indian relations. Lord Young is the first British cabinet minister to visit India since January 1988. He is attending a meeting of the Indo-British Economic Committee (IBEC) which has not been convened for three years – itself a sign of the strains.



Lord Young: mending fences with India

India believed that Britain could do more to curb the activities of Sikh extremists based in Britain. Mr Gandhi also objected to a Panorama programme on India last year. Subsequently a brief embargo was placed on British arms sales to India and a British ministerial visit to India was cancelled.

Notwithstanding these problems, British exports to India marginally increased last year to over £1bn. This includes over £400m of diamonds which are shipped through the UK. Britain's share of Indian imports has grown from a low of 6.5 per cent in 1984 to 9.5 per cent in 1987.

British companies made 34 equity-related investments in India last year. This was double the number of Japanese investments – which have fallen back sharply since Japanese companies moved into the Indian automotive industry between 1982 and 1984. Among the issues which Lord Young is expected to take up during his visit are India's under-utilisation of British aid funds. The British view is that India has not come up with sufficient suitable projects. Indian officials say that British prices are uncompetitive. Lord Young is to visit the Rihand power station in northern India of which Northern Engineering is completing construction. GEC is a favoured bidder for the second stage of the project.

Canadians voice fears of clash over 1992

By Andrew Marshall

THE Free Trade Agreement (FTA) between Canada and the United States does not present threat to European exporters, but Canadians fear that moves toward a single European market may damage trade relations between the EC and Canada, Mr Donald MacDonald, the Canadian High Commissioner in London said yesterday.

In a speech to the Mid-Atlantic Club in London, he pointed to two sectors – life insurance and softwood lumber – where the creation of a single market could affect Canadian trade interests.

Canadians feared that a directive under consideration on financial services would lead to a restrictive regime, erecting greater obstacles to Canadian life insurance companies in the UK, and would hamper their business in Europe generally. And EC technical standards for softwood lumber and plywood sold in the Community might constitute a hidden non-tariff barrier to exclude Canadian companies, he added.

"The Canadian concern is that in a bargain between Community members on integration, the standard agreed upon should not be that of the most regulated market to the prejudice of freer competition," Mr MacDonald said. "If the result of integration is to introduce barriers to Canadian access which have not been there before, then difficult relations between Canada and her European partners will result."

At the Davos symposium on the international economy last month, some economists and trade officials raised the prospect of a world divided into trading blocs including North America and the European Community, with multilateral negotiations on the General Agreement on Tariffs and Trade (Gatt) undermined by bilateral negotiations and trade conflicts.

Mr MacDonald sought to dispel this idea by pointing to differences between the FTA and the single market. The FTA, which came into effect this year, was not directly parallel to the European Single Market, he said. The FTA is not a customs union, he pointed out, nor is it an economic union. "The Agreement creates no new or additional barriers against other suppliers such as those in Europe," he said.

Moreover, "each country will continue to maintain its existing trade arrangements with the rest of the world," he said, and reaffirmed Canada's support for the Gatt. With trade relations with the US stabilised, he said, "Canada can now look to more comprehensive bargaining with Europe."

Italy in joint deals with Soviet Union

By John Wyles in Rome

THE announcement of a joint Italian-Soviet banking agreement followed swiftly yesterday on the heels of a joint venture between the two countries which will give Italian companies a major role in the modernisation and expansion of Soviet electric power plants.

The power plant agreement involves the Italian state-owned Ansaldo group participating with the private Turin company, Fata, in the creation of Energoengineering, the Moscow-based joint venture in which the Soviet Ministry of Energy will hold a 51 per cent stake.

Precise terms of the arrangement have not been made public, but some or all of the payment will be covered by the supply of Soviet electricity to Italy until 2003.

The new joint venture will be involved in the construction and updating with Italian technology of all types of non-nuclear power station. Soviet spokesmen reportedly expect the initial installation target to be 5m kW a year out of a national energy plan which forsees annual construction of 15-20m kW during the 1990s.

Yesterday's banking agreement involves the Istituto San Paolo di Torino and Sherbank which groups around 80,000 Soviet savings banks. Apart from setting up a correspondent relationship between the two sides, the agreement also provides for the joint provision in roubles and other currencies of finance for Italian-Soviet joint ventures.

Moscow hopes the agreement will give a push to the development of a non-cash payments system in the Soviet Union. The Italian and Soviet partners are to study how to create a credit card system as well the introduction of banking principles governing interest rates, bank deposits and credits.

Arab economic bloc formed

By Tony Walker and Lamis Andoni in Amman

IRAQ, Egypt, Jordan and North Yemen yesterday agreed to form a new economic bloc, the Arab Co-operation Council (ACC).

The official Iraqi news agency said presidents Saddam Hussein of Iraq, Hosni Mubarak of Egypt and Ali Abdullah Saleh of North Yemen and Jordan's King Hussein signed the accord in Baghdad. It is hoped that the new organisation will prove a more effective instrument for regional co-operation than previous such experiments. The pact also marks a further step in Egypt's reintegration in the Arab world.

At the other end of the Arab world, leaders of Morocco, Tunisia, Algeria, Libya and Mauretania are meeting in Marrakesh to discuss the setting up of a Maghreb union stretching from the Atlantic to Libya's eastern border with Egypt.

The ACC and the planned five-nation Maghreb union would bring to three the number of Arab regional economic groupings, partially born out of frustration with the failure of the 21-member Arab League to unify Arab ranks.

One such group was the Gulf Co-operation Council, formed in 1981 by Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman.

Caribbean sees a fishy side to Lomé perks

Canute James explains a lack of enthusiasm in the West Indies for the EC's attempt to help some of its former colonies

IN ONE round of negotiations with the European Community on an aspect of the Lomé Convention a few years ago, complained a senior Barbadian diplomat, "we spent several hours trying to determine as precisely as possible just what was an African-Caribbean-Pacific (ACP) fish.

"It is not that we did not consider it necessary to agree on a definition, but you will understand that this does contribute to a general lack of enthusiasm within the region about the benefits we can get, and are getting, from the Convention."

Few countries in the Caribbean are expecting any significant improvement in benefits from the new pact being negotiated with the European Community. As a further round of talks gets under way in Brazzaville this week, officials say the Caribbean is not dismissive of what it can theoretically get under the trade and aid pact which links it and other countries in Africa and the Pacific with the Community. But in practice, these benefits have not lived up to expectations.

When the first agreements were being negotiated, explained one Jamaican official, the Caribbean adopted a defensive posture.

Indelicate

"This was aimed mainly at preserving and then protecting our Commonwealth preferences for sugar, bananas and rum. Once that was achieved the region was slow to look at other and new ways in which it could make use of what the Lomé Convention offered."

There has always been in the Caribbean a belief that the region, and the Pacific countries which are part of the ACP group, were of minor importance to Europe. Regional theory has it that the Community's interests, particularly in securing supplies of raw materials, were really in Africa. The Caribbean and Pacific were included in the Convention simply because it would have been politically indelicate to have left them out.

When government officials speak of the benefits the Caribbean receives from the Lomé Convention, they refer almost instinctively to the trade preferences for traditional exports. But even these are significant. The Jamaican sugar industry, for example, is kept alive by the island's annual quota of about 120,000 tonnes exported to Britain. With a progressively reduced US quota, and with production costs at just under twice current world market prices, it is this lifeline to the EC which keeps the industry going.

Such is the value of the EC market that some regional producers, to ensure that they do not lose their quotas and to guarantee foreign earnings, export what they produce and then meet domestic sugar demand by buying at lower world market prices.

The concern in the Windward Islands over the future of the $150m earned each year from bananas shipped to Britain indicates the importance of the trade preferences to many countries. The governments of the islands say that unless ways can be found to continue the protection against cheaper fruit after 1992, their economies will be destroyed.

But in other areas of co-operation, the region has not seen the benefits it clearly expected. "In financial and technical co-operation, we have been pushing the EC to increase the size of the package," said the Jamaican official. "But getting such assistance out of the EC is a tedious process. The Community has been told that it should speed up the process but so far there has been marginal progress. This is caused by slowness on the part of the EC and because the Caribbean has not formulated its projects as precisely as possible."

The heads of government of the Caribbean Economic Community said at their last meeting that they were concerned at the slow pace of implementation of the financial assistance programme. The region, with Suriname, can get approval for projects worth Ecu 84m (£54m) between 1985 and 1990, covering sectors such as tourism, transport and communications, agriculture and human resource development.

The region has submitted projects costing Ecu 62m. But according to a report six months ago by the Caribbean community's trade ministers, only one regional project has been approved by the EC to date from the programmable resources.

Disappointed

Yet, governments are not in a hurry to discount the value of what the region is getting. "In terms of Jamaica's total development assistance, that from the EC represents about 10 per cent," the official explained. "But if we did not get this we would have to get the funds elsewhere as loans, and possibly at market rates."

The Caribbean has also been disappointed in its ability to make more of what the Lome Convention offers in other promising areas such as inward investment. Most European business interest in the region was established before the Convention was agreed, when several countries were European colonies. The region has not been marketing itself as a location for European investments.

Distance from Europe is one factor, but officials say there is still concern over complicated rules of origin criteria – the quandary over the ACP fish, for example – which dissuade European companies from putting money into projects which could make use of the trade preferences offered by the Lome Convention.

More attention is paid to the US market because it is geographically closer and because it is much simpler for the region to achieve the rules of origin criteria to make use of such programmes as the Caribbean Basin Initiative, which allows countries selected by Washington to ship a range of products duty free to the US.

AMERICAN NEWS

International fiscal action on imbalances urged

By Peter Riddell, US Editor, in Washington

FURTHER fiscal action is needed to reduce current imbalances between the leading industrial countries, a group of leading international policymakers agreed at a conference here yesterday.

Mr Charles Dallara, the US Treasury assistant-secretary for international affairs, accepted that fiscal 1990 was a critical year for the Administration's fiscal policy. After two years when the policy on reducing the fiscal deficit had marked time, he said it was "imperative that policy picked up pace".

But he added that other countries must "recognise their obligations to promote sound policies." He claimed that the effect of policy co-ordination on fiscal policy was more substantial than broadly recognised.

He argued that the absence of a communiqué after the meeting of the Group of Seven finance ministers two weeks ago showed there did not have to be dramatic new steps after each meeting. However, he said this did not mean self-satisfaction on the level of commitment to further action.

Mr Dallara, who is about to stop being the US executive director of the International Monetary Fund, was speaking at a conference on international policy co-ordination organised by the National Bureau of Economic Research, an independent academic group.

Mr Jacob Frenkel, the research director of the International Monetary Fund, said monetary policy had been overburdened in the past year or so. He said this reflected the relative flexibility of monetary policy, as opposed to the inflexibility of fiscal policy.

The same themes were taken up by Dr Wolfgang Rieke of the West German Bundesbank and Mr Robert Heller, the international governer of the US Federal Reserve.

Mr Heller said that on a three-to-four year view the administration's proposed action to reduce the federal budget deficit would result in a higher GNP in the US than otherwise by shifting resources into investment which would raise productive potential. On a short-term view, he acknowledged that it was "difficult to turn the US economy on a dime."

But he was not scared of potential overkill on the part of government, because the private sector and policy (the actions of the Fed) were ready to adjust and take up the slack that might be created by the public sector.

Death threats greet Rio council crusader

By Ivo Dawnay in Rio de Janeiro

A CRUSADING housewife, elected to Rio de Janeiro's city hall after her son was killed by police, has herself been threatened with death for trying to fight corruption in government.

Mrs Regina Gordilho's decision to demand a criminal inquiry into how at least 383 town hall staff were illegally contracted has led to telephone death threats and a warning that she will be killed in a faked robbery at her home.

The case represents in microcosm the real physical dangers now being faced all over Brazil by those newly-elected mayors and councillors brave enough to hunt down those responsible for years of abuse of power.

Mrs Gordilho, 54, came to national prominence two years ago when she relentlessly pursued five policemen whose violent arrest of her 24-year-old son Marcelus led in still inadequately explained circumstances to his death.

Despite her efforts, the policemen involved were criticised only for being over-zealous in their actions by the Military Police authorities. However, Mrs Gordilho's battle won her a seat at municipal elections last November for the left-wing populist Democratic Workers' Party (PDT). Soon after, she was nominated president of the chamber.

Now, however, Mrs Gordilho has found herself in a new clash with the city's establishment following her exposure of widespread illegalities in the contracting of town hall staff.

For just 42 councillors, the Rio chamber employs an astonishing 2,505 aides, at least 383 of whom, Mrs Gordilho says, have been illegally contracted and many of whom never attend work.

But Mrs Gordilho's battle to clean up Rio's Augean stables is now meeting fierce opposition from her council colleagues.

Despite innumerable telephone calls and letters from electors pledging their support, the president of the chamber this week had many of her powers wrested away from her in a vote that by 30 to 8 handed over an internal inquiry to a newly-formed committee.

The problem is that some of the councillors are implicated in the irregularities, said one colleague.

Ignoring the death threats, received on Wednesday, Mrs Gordilho is still determined to continue her ethical crusade, further infuriating many of her colleagues by opening a citizens' criminal action for a police investigation of the case.

"I encountered the same violence, disrespect and certainty of impunity and corruption in the Municipal Chamber that I saw in the Military Police when I desperately sought justice for my son," she said.

"Now I know the difficulties of punishing those responsible for the irregularities in the Chamber, but I believe that it will be done."

Oil imports fuel US drilling debate

By Roderick Oram in New York

THE US imported more oil than it produced last month for the first time in a decade, intensifying the debate over whether oil companies should be allowed to explore in protected places such as Alaska's wildlife refuges.

Moreover, oil deliveries continue to grow strongly despite a mostly mild winter, indicating that the US's fuel conservation efforts are becoming even more ineffective.

Imports rose to an average of 8.24m barrels a day last month, up 20.6 per cent from a year earlier and topping 8m for the first time since 1980, according to the American Petroleum Institute.

Domestic crude production continued its long slide, falling a further 3.4 per cent year-over-year to an average of 7.93m barrels a day.

Deliveries of petroleum products increased 6.3 per cent to an average of 18.3m barrels a day, the third consecutive month it had risen more than 6 per cent. Inventories of crude oil and petroleum products slipped 2.3 per cent.

The US oil import record is 10m barrels a day, in 1977, when foreign supplies met 48.8 per cent of all US energy demands including oil, natural gas and butane. Imported energy accounted for 45 per cent of demand last month.

Oil companies have been lobbying hard for several years to drill in Alaska's National Wildlife Refuge. The issue is likely to be decided this year, with President Bush in favour of drilling.

Peru miners strike over assassination

By Veronica Baruffati in Lima

OVER 80,000 Peruvian miners staged a 24-hour strike yesterday in mourning and protest at the assassination on Monday night of Saul Cantoral, secretary general of Peru's Miners Federation, and Consuelo Garcia, a social worker to mining communities.

Vigils held in the miners' federation and trade union headquarters in Lima for Mr Cantoral were attended by thousands of workers, who accused "the American Popular Revolutionary Alliance [the ruling APRA party] and the right" for the murders.

Rank and file members urged union leaders to call a general strike next week. Mr Valentin Pacho of the General Confederation of Peruvian Workers said: "There will be many general strikes if necessary to defend our rights."

Negotiations between the miners and the Government to postpone a strike have been interrupted by Mr Cantoral's assassination, which has caused a public outcry.

The killing has also focused attention on previous unsolved murders for which the Commando Rodrigo Franco has claimed responsibility, and on the possible links between this group and APRA.

Lone Star liberal raises dust in Washington

Cynthia Williams reports from Austin on the politics of a Texan 'cowboy'

MR JIM Hightower, Texas agriculture commissioner, is a man who rarely retreats from a good fight. His entry into the fray over the EC ban on hormone-treated beef from the US has prompted an indignant response in Washington.

In this latest affront to the Republican Administration, Mr Hightower is challenging Washington's authority on the beef issue and claiming state's rights by urging European Community members to buy hormone-free beef from Texas.

Mr Clayton Yeutter, the new Agriculture Secretary, accuses Mr Hightower, a resolutely liberal 46-year-old, of undercutting foreign policy and US economic interests by taking the side of the European Community. Powerful Texas ranching interests, who are committed to the idea of using hormones which they believe to be harmless, are calling for Mr Hightower's resignation.

Jim Hightower: raising hopes and raising hell

But he is unrepentant: "If Ollie North can go run a private war with the approval of the Administration why are they getting in the way of a few cattlemen who want to make a sale to our very best customers?"

In the six years since he was elected to the office of agriculture commissioner of Texas, Mr Hightower has used his political savvy to transform a backwater agency into an effective and innovative state government. He has also gained a reputation as the most prominent liberal in the Lone Star state since former senator Ralph Yarborough (on whose Washington staff he served) and he has emerged as an articulate proponent of populist politics.

Earlier this year, he surprised his supporters by announcing that he was abandoning plans to challenge Republican Senator Phil Gramm of Texas in 1990 and would instead seek re-election as agriculture commissioner next year.

Mr Hightower plans to focus on building a populist "umbrella alliance" within the Democratic party to promote progressive causes.

His decision to bow out of the Senate race prompted speculation that he might have difficulty raising the millions needed to defeat his well-financed opponent. Mr Hightower responded by saying that "while I might be able to gather as much as $10m, I would have to spend more time in the living rooms of the wealthy raising money than I could out in the communities raising issues, raising hopes, and raising hell."

His homespun humour helped to dispel the gloom of the ill-fated 1988 Democratic presidential campaign. He was the first and only white state-elected official in the country to "go whole-hog for Jesse," as he put it, and endorsed Jackson for president, to the consternation of the conservative wing of the Democratic party.

In a speech before the Democratic National Convention last July, Mr Hightower described Mr George Bush as a "toothache of a man" cast in the Reagan mould who would lead the country "from Tweedledum to Tweedledumber," before thanking both as the men most responsible for uniting the Democratic Party.

For a man who likes to refer to himself as "the candidate of all Texans who doesn't own an oil well," poking fun at the powers that be comes as naturally as sticking up for the little guy on a Texas farm

As agriculture commissioner, Mr Hightower has criss-crossed the 270,000 square miles of Texas since 1982, spreading his massage to liberals and conservatives alike, and inveighing against greed with a down-home folksiness that goes down well in Paris, Texas – and in Washington DC.

At the root of his politics is the belief that "too few people control all the money and power" and that anyway, "money is like manure, it has to be spread around to do some good."

He reminds his core constituency of predominantly white conservative Texas farmers that "while they're drinking cabernet sauvignon and eating caviar at the White House, we're eating tuna fish and drinking Lite Beer."

Mr Hightower cultivates his image as an old-fashioned, wisecracking country politico by wearing cowboy hats and boots at public appearances.

But behind the thick Texas drawl and small-town bonhomie lies a shrewd mind well-versed in the ways of Washington and with the intricacies of the legislative process, with a penchant for taking on big business.

Mr Hightower was born and grew up in the north-east Texas town of Denison and was the first member of his family to attend university.

After graduating from North Texas state with a degree in government, he went to Washington and worked on the staff of Senator Yarborough, the progressive Texas democrat in the late 1960s.

In 1971, he became director of Mr Ralph Nader's Agribusiness Accountability project and traced the power of US agribusiness through ownership of giant farms by the US food industry.

After cutting his teeth in national electoral politics as campaign manager for a populist underdog in the Democratic presidential campaign of 1976, Mr Hightower returned to Texas and became editor of The Texas Observer, a weekly beacon of liberalism published in Austin – its message rooted in the political activism that grew out of the Texas populist traditions of the 19th century.

"People think Texas is such a conservative state but the truth is, it's populist," according to Mr Hightower, who says he grew up with Texans who said they were conservative, but who "were opposed to big oil and big government. If you scratch a conservative often enough, you'll find a progressive human being."

Jim Hightower is a candidly ambitious man, and he hopes to run for the US Senate or for governor in 1990. In the meantime, he will continue to entertain and provoke because, as he says, "running against Republicans is the most fun you can have with your clothes on."

Handling of nurses' pay attacked by review body

By Charles Leadbeater, David Thomas and Philip Stephens

THE PAY review body for nurses yesterday strongly criticised the Government and health service managers for the way they introduced the controversial revised grading structure for nurses, which provoked a wave of protest last autumn.

The nurses' pay review body and the interim advisory committee on teachers' pay also warned the Government to move cautiously over the introduction of more flexible pay systems to help reduce staff shortages.

The reports issued yesterday recommended rises of between 5.3 per cent and 8.6 per cent for more than 1.34m public sector employees. The Government accepted the recommendations of all the review bodies, except one that senior dental and hospital consultants should receive rises of more than 8.3 per cent.

The rises, which in all but two cases are in line with or above the current inflation rate, are likely to do little to lessen the upward pressure on pay settlements created by recent inflationary increases, rising interest rates and recruitment and retention difficulties. It is expected the statistics relased today will show inflation in January rose to more than 7 per cent.

The settlements were below the 8¾ per cent increases in average earnings being seen in the economy as a whole, while they were above the inflation rate.

The Government said the total addition to public spending resulting from the pay awards would be just over £1.5bn but that almost all of that was already provided for in departmental budgets.

The exception was the Health Department, which has been allocated another £142m from the Treasury's contingency reserve for 1989-90. That is in addition to the £62m from the reserve that is being added to the budget for the Family Practitioner Service.

The nurses' pay review body sanctions the introduction of a £5m scheme to test whether regional pay allowances will help health authorities to overcome staff shortages.

The 6.8 per cent increase will will add an extra £343m to the NHS annual paybill of £5.03bn.

About 400,000 teachers in England and Wales, will receive rises of about 6 per cent, significantly more than the Government had previously planned, in the light of low morale in the education service.

Mr Kenneth Baker, Education Secretary, accepted the recommendations of his advisory committee on teachers' pay, whose report published yesterday pointed to low teacher morale, recruitment difficulties and high levels of resignations in some areas, particularly London.

The pay committee queried whether even a 6 per cent increase would be sufficient in view of the pressures on the teaching profession.

The full changes will add 6.3 per cent to the teachers' pay bill in 1989-90. The extra cost will be £470m next year, compared with the limit of £385m given to the pay committee in its original remit.

Doctors voice fears over reforms

By Alan Pike, Social Affairs Correspondent

THE British Medical Association (BMA) will urge the country's 32,000 family doctors to make patients aware that the Government's plans to reform the National Health Service could damage levels of care.

The move is the first signal to the Government that it faces a struggle with the medical profession over its plans.

Members of the BMA's general medical services committee, which represents family doctors, yesterday expressed concern over central aspects of the reform proposals. The association is sending a detailed analysis to all general practitioners (GPs) asking them to make patients aware of its worries.

Dr Michael Wilson, chairman of the committee, said after a meeting of the committee that not a single speaker had given an unqualified welcome to the Government's recent health care policy paper. "It is clear that concern is mounting the more the profession examines the proposals."

Much of the debate at yesterday's meeting was taken up with doctors voicing doubts about the Government's plan to make big practices into budget holders, shopping around for hospital care on behalf of patients.

The BMA will not take a formal position for or against the idea until a conference of its members in late April. However, the briefing material being sent to GPs this week leaves no room for doubt about the BMA leadership's severe reservations over this and other aspects of the policy document.

Although the Government says participation in the budget scheme for practices will be voluntary, BMA leaders are warning their members that it could become a mechanism for imposing mandatory cash limits on all general practices.

"The object of this White Paper (policy document) is to require doctors to balance health needs against financial constraints," says the briefing document. "In these circumstances, patients' confidence and trust in their doctor will be undermined by the fear that financial considerations could prevail over clinical decisions."

The BMA believes its first task is to make doctors fully aware of the content and possible implications of the policy paper. However, its call on doctors to share their concerns with patients could signal the beginning of a campaign against aspects of the reforms in doctors' surgeries throughout the country.

Dr Wilson said the health service did not belong to doctors or the Government, but to the public. The BMA was certain patients were not aware of how the Government's proposals would operate.

Lawson 'on course for cuts in basic tax rates,' say ministers

Cabinet firm on cautious budget strategy

By Philip Stephens, Political Editor

THE CABINET said yesterday it intends to stick with a "cautious and prudent" economic strategy, but senior ministers voiced confidence that Mr Nigel Lawson, the Chancellor, remains on course for tax cuts in his March 14 Budget.

After the traditional pre-Budget cabinet discussion of the economic outlook, Downing Street said in a brief statement that it had been agreed the "central objective" of policy was to bring down inflation.

Ministers left the meeting, however, with the clear impression that Mr Lawson may still reduce the basic rate of income tax by 1p to 24p and that he is preparing a package of measures to boost the incomes of the low-paid.

Modest tax cuts of perhaps £2bn would be entirely acceptable when set against a government surplus of up to £15bn, one minister commented.

The cabinet talks were followed by a sharp clash in the House of Commons between Mr Neil Kinnock, the Labour leader, and Mrs Margaret Thatcher, the Prime Minister, over the recent upsurge in the rate of price increases.

With official figures, due this morning, expected to show an annual inflation rate of well above 7 per cent, Mr Kinnock asked the Prime Minister when the Government would achieve its aim of stable prices. Mrs Thatcher, clearly caught off balance, responded that the Government's record showed the chances of zero inflation were "good."

Mr Kinnock, whose performance in his twice-weekly Commons exchanges with the Prime Minister has recently improved markedly, received a further boost last night from a new opinion poll.

The Marplan survey, in today's Guardian daily newspaper, appeared to confirm an earlier poll published by Gallup showing a significant narrowing of the Conservative lead.

Marplan said that its poll, taken last weekend, showed the Conservatives at 42 per cent, Labour at 39 per cent, and the Democrats and the SDP both at 7 per cent. The Gallup poll had shown the Government lead at only 1.5 percentage points.

Marplan has consistently shown a narrower gap between the two main parties than other polls, but the view at Westminster last night was that there are now signs that the recent sharp rise in interest rates is hurting the Government's standing.

Ministers said there was clear concern at the cabinet talks about the potentially damaging impact during the next few months of the rise in inflation to above 7 per cent, despite soothing words from the Treasury.

Mr Lawson was careful not to give away any of his Budget plans, but one minister said he would be "astounded" if they did not include cuts in income tax.

The Chancellor's colleagues are anxious that he should improve incentives for the low-paid, either through sharp rises in thresholds or through a restructuring of National Insurance Contributions. Mr Lawson is also under pressure to abolish the earnings rule which limits the amount the elderly can earn without loss of state pension.

Mr Kinnock said later that Mrs Thatcher's remarks on the outlook for inflation represented "a triumph of hope over reality." The Chancellor's assertion that inflation would turn down, as it had in 1985, ignored fundamental differences in the underlying state of the present economy and the Government's reliance on higher interest and mortgage rates was tantamount to "dripping petrol on to the fire."

Official unemployment figure falls below 2m

By Ralph Atkins, Economics Staff

BRITAIN's official unemployment count has fallen below 2m for the first time in eight years.

Department of Employment figures yesterday showed the seasonally adjusted total down by another 49,300 last month to 1.99m – the lowest since February 1981. It was the thirtieth consecutive monthly fall.

Other figures yesterday showed a steadying in the rise in average, but there were signs that manufacturers' labour costs may be increasing. Combined with sharp falls in unemployment this, could add to inflationary pressures in coming months.

Today's figures for retail price inflation are widely expected to show the annual inflation rate last month was around 7½ per cent.

The fall in unemployment to below 2m was welcome news for the Government, which has suffered high unemployment since its election in 1979. The number of jobless reached a peak of more than 3.1m in July 1986.

Mr Norman Fowler, Employment Secretary, described yesterday's figures as "a very important milestone." He said: "Over the last 12 months Britain's rate of unemployment has fallen faster than that of any other major industrialised country.

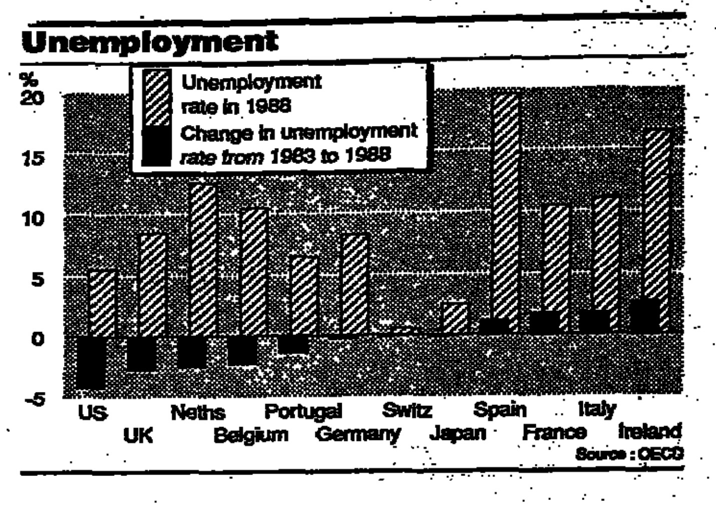
"All regions of the country have shared in the fall in unemployment with the largest falls in unemployment rates in the West Midlands, the North West and Wales."

The jobless accounted for 7 per cent of the total workforce in January, down from 7.2 per cent in December.

Recent figures have been helped by unseasonally mild winter weather. In the six months to January, adjusted unemployment fell by an average of 46,500 a month compared with 42,000 in the previous six months. However, the department said its estimate of the underlying trend remained unchanged at around 40,000 a month.

The unadjusted unemployment total rose 28,000 to 2.07m. The department estimates that unemployment usually rises by 78,200 in January.

Other figures yesterday showed overtime in manufacturing continuing to rise, reaching 14.81m hours a week in December – the highest since January 1980. There was also a rise of 8,000 in manufacturing employment to 4.99m but the department said the trend was probably still downwards.



Vacancies at jobcentres fell by a seasonally adjusted 9,100 to 229,200 in January, suggesting problems of matching jobs to those out of work may have eased slightly.

Figures for unit labour costs accelerated in December, possibly reflecting a slowdown in manufacturing output growth. In the three months to December wages and salaries per unit of output were 1 per cent higher than the corresponding period a year before.

Financial markets greeted the fall in unemployment with caution, although the stable earnings figures provided some comfort. Analysts feared further falls in unemployment could fuel inflation by worsening skills shortages and encourage higher wage settlements.

Mr Bill Martin, chief UK economist at Phillips & Drew, said: "It is a very sad fact of life but it is probably too low to keep inflation under control."

The FT-SE 100 share index fell after the figures but later recovered some of its losses to close 13.7 down at 2033.8. The FT Ordinary index ended 10.2 lower at 1667.2.

Opposition parties treated the unemployment numbers with scepticism. Mr Michael Meacher, Labour's employment spokesman, said it was "a complete lie" to say there were fewer than 2m unemployed.

"The Government is counting only the numbers receiving unemployment benefit when their own labour force survey shows that there are still at least 2.6 million people out of and looking for work."

Mr Jim Wallace, employment spokesman for the Social and Liberal Democrats, said: "In the early 1980s the Government conditioned the public into acceptance of high unemployment. They are now trying to tell us that the problem of unemployment has gone away. This is an insult to the unemployed."

The official figures count only benefit claimants aged 18 and over. Latest estimates show about 500,000 people are on Government work-related training schemes.

Higher budget surplus estimated by Treasury

By Simon Holberton, Economics Staff

THE TREASURY has revised upwards its estimate for the budget surplus in 1988-89 after yesterday's announcement that it repaid £6.9bn of public sector debt in January.

Mr Nigel Lawson, the Chancellor of the Exchequer, in his autumn economic statement last November, increased his estimate for the budget surplus from £3bn to £10bn.

The Treasury would not disclose its new estimate and said this would be revealed in the budget on March 14.

London economic analysts expect the surplus, known as the public sector borrowing requirement surplus, to be between £13bn and £15bn for the financial year. A similar range is expected for 1989-90.

This embarrassment of riches is likely to pose problems for Mr Lawson in framing the medium-term outlook for the budget.

In the budget last year he forecast balanced budgets for the years ahead. It now seems likely that he will have to alter his interpretation of the role of fiscal policy in the medium term.

He will also have difficulty with financial markets in squaring the circle of net tax cuts with the need to deliver a tight budget.

Mr Rodger Bootle, chief UK economist with Greenwell Midland, a securities house, said: "He has got to have a tight budget and that implies a higher surplus next year than the one he has this year."

Yesterday's release of figures for the PSBR surplus showed that in the first 10 months of the financial year it was £15.5bn, including privatisation receipts. This compares with a £6.8bn surplus for the corresponding period in 1987-88.

The PSBR surplus in the first 10 months of the year, excluding the effects of asset sales, was £9.4bn, against £1.7bn for the preceding corresponding period.

Flows of funds across the Government's accounts in February tend to produce neither large deficits nor surpluses.

In March, the last month of the Government's financial year, a large deficit is usually recorded as departments rush to spend allocations.

The public purse's healthy financial position was brought about by rapid economic growth, boosting revenues, and by reduced government spending, especially on social welfare.

Earnings steady, labour costs may be accelerating

By Ralph Atkins, Economics Staff

GROWTH in average earnings was steady in December in spite of rising inflation, but there are signs that manufacturers' labour costs may be accelerating.

Department of Employment figures published yesterday show average earnings for the whole economy rising at an underlying rate of 8.75 per cent a year.

That was unchanged from November and down from peaks of 9.25 per cent during the summer. Actual earnings increased by 10.9 per cent in the 12 months to December.

However, if back pay to nurses after the introduction of a new grading structure is excluded, earnings rose by 8.9 per cent – close to estimates of the underlying rate.

The figures show earnings rising at 8.75 per cent in the manufacturing and service sectors during December. In the same month, the annual inflation rate, measured by the retail price index, was 6.8 per cent.

However, there were signs that labour costs per unit of output were rising in the manufacturing sector.

Wages and salaries per unit of output in the three months to December were 1 per cent higher than in the corresponding period a year before. That followed a fall of 0.1 per cent in November.

Fears of accelerating inflationary wage pressures might intensify in coming months if earnings continue to rise strongly while the growth in output slows.

Figures published by the Central Statistical Office on Wednesday suggest that output growth in manufacturing may have decelerated at the end of last year and the Treasury expects a moderation in growth during 1989.

Latest available figures for productivity also indicate a slowdown at the end of last year.

In the three months to December, output per head in manufacturing was 7.5 per cent higher than in the corresponding period a year before – down from 8.4 per cent in November and the lowest since July.

Latest figures for the whole economy show output per head rising at an annual rate of 2.6 per cent in the three months to September.

That compared with 3.2 per cent in the previous three-month period.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Help

Guided weapons subsidiary set to close two of six sites as part of rationalisation

British Aerospace plans to cut 2,500 jobs

By Michael Donne, Aerospace Correspondent

BRITISH Aerospace is to shed about 2,500 jobs over the next two years at its guided weapons subsidiary, BAe (Dynamics), and to close two of that company's six main sites as part of a big rationalisation.

The cuts, involving a reduction in the company's workforce from 16,000 to 13,500, follow a review of its activities over recent months. This, in turn, has been part of a restructuring at the 130,000-strong BAe group over the past two years or so, aimed at cutting costs and improving productivity.

It had originally been envisaged that only about 600 workers would have to go, but the review has been more far-reaching than planned.

BAe (Dynamics) is involved in the design, research, development and manufacture of advanced guided weapons, including the Rapier anti-aircraft weapon system, the Swingfire anti-tank weapon, and the Sea Dart and Sea Wolf ship-to-air weapons. It also makes associated equipment, such as gyroscopes.

Under the rationalisation the guided weapons plant at Hatfield, north of London, and the equipment manufacturing facility at Bracknell, west of the capital, will be closed.

Most of the company's guided weapons manufacturing will be transferred to Lostock, near Bolton in Lancashire, north-west England leaving Bristol and Stevenage in the south as the main research, engineering development and design areas. The guided weapons team at Hatfield will be absorbed into Stevenage.

The small factory at Plymouth, on the south coast will be expanded to accommodate the enlarged equipment management, engineering, production and supporting activities, absorbing the activities transferred from Bracknell.

BAe said it would consult with employees about the changes, offering workers jobs at other sites, with relocation and retraining support, to ensure that "no individual need be compulsorily out of work."

However, the moves were condemned by Mr Chris Darke, national officer of the Manufacturing, Science and Finance Union, as "an outrage", which he described as "stripping the heart out of the dynamics business".

Mr R.H. Evans, chairman of BAe (Dynamics), said the measures were "designed solely to protect our Dynamics business over the next decade and beyond.

"We have established an excellent position in the market, from which we will be introducing a range of new programmes, including many secured by multinational agreements.

"To take full advantage of this market will require us to improve utilisation and efficiency, to ensure our competitiveness in the years to come.

Mr N.V. Barber, managing director of BAe (Dynamics), said that the review had shown that while the company's heavy investments had left it well placed to exploit the guided weapons and equipment markets, "in order to compete successfully and secure new business it is essential for the company to take further action to improve efficiency and reduce its cost base.

"We currently have a wasteful duplication of facilities and resources which, when consolidated and rationalised, will improve utilisation and efficiency and achieve the cost reductions necessary for us to succeed."

Lyndon McLain adds: Management appointed by BAe has already started to rationalise production at Royal Ordnance, the former state-owned arms and munitions manufacturer it bought from the Government in 1987 for £190m.

Plans announced by RO in October affected a sixth of the total workforce of about 14,000. When the plans are implemented by early 1991, the workforce will have been cut from 16,000 when BAe bought the company to 13,000.

Charities 'need better marketing'

By Joel Kibazo

MOST businesses would like to give more to charities but they do not know how to go about it, according to a survey published yesterday.

The survey, from Buzzacott & Co, a London firm of chartered accountants specialising in charities, said many businesses give to charity and, "the business community accepts its duty to do more for charity."

But, the report said, charities were losing out on that good will because they had failed to market themselves in a effective way to businesses and companies willing to make donations or become involved with charities.

The survey said: "Charities have failed to market themselves in a business like way, showing how they can benefit business in terms of enhanced public image or work force morale."

The survey carried out on large, medium, and small businesses and financial institutions said: "It is up to charities to communicate the corporate benefits that businesses can derive through helping charity."

The report said there was a general lack of awareness both among charities and businesses about the size of the charity sector, and the events affecting it.

In addition, both groups were unaware of the tax concessions available to them through legislation, and of other financial arrangements where both sides could benefit each other.

"There is unease about the efficiency of volunteers, however dedicated, on the one hand, and disquiet about the danger of creeping commercialisation on the other," said the survey.

The main recommendations of the survey are:

- Charities should develop their marketing policies to demonstrate how businesses can benefit by helping them;
- Charities and businesses ask their advisers for guidance on available tax incentives to encourage business support; and
- Charities find a champion within a company to generate corporate activity within their favour.

Charities and Businesses, A Partnership of Interest? Buzzacott & Co, 4 Wood Street, London EC2V 7JB. £12.50.

Car production rises by 6.5% in January

By John Griffiths

CAR PRODUCTION in the UK rose by 6.47 per cent in January compared with a year ago, according to provisional figures from the Department of Trade and Industry.

The statistics offer the industry cautious hope that this year it may exceed its 1988 performance, the best for 11 years.

The figures show that 111,194 cars were built in January, up from 104,430 a year ago.

Production for export was up by nearly one third at 23,378, from 17,800.

Output for the UK market was only 1.34 per cent higher at 87,816 (86,630).

Hopes for higher output for the whole of this year are based mainly on commitments by Ford UK and Vauxhall, the General Motors subsidiary, to source substantially more of their UK sales from British plants this year, the hoped-for absence of any strikes such as the one last February which cost Ford production of 65,000 cars, and still-increasing production at Nissan's factory at Washington, in north-east England.

Commercial vehicle output also rose in January, by 19.24 per cent to 27,537 compared with 23,092 in the same month a year ago. Output for export was up 20.86 per cent at 6,998, from 5,790, and that for the UK market by 18.7 per cent to 20,539 (17,302).

London Tube wages war on Underground criminals

By Rachel Johnson

MEASURES announced this week to combat crime on the London Underground train system follow attacks on passengers by "steaming" gangs on both the Tube and British Rail, and the highly publicised arrival of New York's vigilante Guardian Angels.

Mr Michael Portillo, Transport Minister, said on Wednesday night that, as part of a package of measures with £15m of government assistance, a new anti-crime squad had been recruited by London Underground.

Twenty-eight staff had been taken on for duties at 13 stations where crime levels were high.

It had already been announced there will be more Transport Police patrolling the Underground and 82 officers from London's forces are now carrying out duties while the division is brought up to a strength of 400.

The Guardian Angels claim to have acted as a catalyst for the new measures, but to the Transport Police they are a source of considerable annoyance.

"They're good at getting publicity and not much else," said Superintendent David Gotts of the Transport Police's headquarters in St James's.

The public might be forgiven for thinking that the Angels had taken over the Tube. In fact, there are only four of them on the trains, wearing red berets and "We Dare to Care" T-shirts. Their plans to recruit London volunteers have run into problems of money and of finding training centres.

The Angels were on the point of returning home last week when Mr Michael Winner, the film director, provided £1,000 aid. Mr Winner thinks the Angels have been unfairly treated, but even he might envy their knack for publicity which has provided a focus for fears about Tube crime.

A national opinion poll, carried out last week for the London's Evening Standard newspaper, showed that more than half the women questioned said they were frightened of travelling on the Tube. Of the women who said they were frightened, 73 per cent approved of the Angels. Two-thirds of travellers surveyed wanted the Angels to patrol.

In contrast, the police say that a chapter of Angels in London will only have one effect on crime in the Underground – to publicise it. They say the presence of the Angels results in a misleading public perception that the Underground is as dangerous as the New York subway.

The police point out that in 1988 the total crime rate on the Underground fell by 5 per cent, while the number of passengers rose by 29m. However, the drop in overall crime results from a big reduction in the number of pickpocketings reported, and conceals the fact that violent crime has risen.

The number of sexual offences rose by 41 per cent from 312 in 1987 to 441 in 1988. Muggings increased by 27 per cent, from 883 to 1,225.

These figures are not the reason for the new package of measures to combat crime, the police maintain. Mr Denis Tunnicliffe, managing director of the London Underground, says the increase in police was in response to "public fears about physical safety."

The measures include a new £1.5m communications network which is linked to the "L" Division Information Room in Westminster, the most modern police control room in Britain.

"We have revolutionised what was up till now a Victorian security system," said Supt Gotts. "It's the beginning of Big Brother," he said. "It marks the psychological return of the Underground to the police."

Fears of sectarian violence in Ulster rise after shooting

By Our Belfast Correspondent

FEARS of a renewed campaign of sectarian violence in Northern Ireland grew last night after five people were shot in a Loyalist social club in the staunchly Protestant Shankill Road area of Belfast.

The shooting is believed to have been carried out in direct retaliation for the recent murders of four Roman Catholics, including Mr John Davey, a councillor for Sinn Fein, the political wing of the IRA, and Mr Patrick Finucane, a leading Catholic solicitor..

Mr Tom King, Northern Ireland Secretary, has already held talks with Sir John Hermon, Chief Constable of the Royal Ulster Constabulary, to discuss the upsurge in violence.

The Government is concerned at the increasing level of sectarian violence. Random attacks on clubs and pubs, identified with a particular religion, were a feature of the early part of the 1970s, but had been relatively isolated incidents in recent years.

Mr King has already appealed for calm and called on the community to help the RUC in tracking down the murder gangs.

Three men and two women were shot in yesterday's attack which occurred a short distance from the peace line which separates the nationalist Falls Road area from the Shankill district.

Unionist and Nationalist politicians immediately condemned the shootings and appealed for no retaliation.

Mr Cecil Walker, Official Unionist MP for North Belfast, said: "I utterly condemn the foul sectarian attack on innocent members of the public while enjoying their relaxation. The psychopathic killers who cut them down are intent on creating havoc and pandemonium in a community which has suffered more than most from the results of terrorist activity."

Mr Gerry Adams, Sinn Fein president, said the attack played into the hands of elements in the Loyalist community intent on fomenting sectarian strife and called on the shootings to stop.

Mr John Lowry of the Workers Party said the shooting was the work of "vicious sectarian psychopaths who were intent on plunging the community into murderous chaos." He added: "They are degenerates who are determined to see this society sink in a bloody cycle of random sectarian atrocities."

No organisation has claimed responsbility, but detectives are working on the theory that it may have been the work of a hard-line Republican splinter group, determined to avenge the recent murders of Catholics.

EC seeks to define priority aid areas

By Hazel Duffy

MR BRUCE MILLAN, European Commissioner on regional policy, will meet ministers in London today in a bid to persuade the UK Government to determine high priority areas which would be eligible to apply to Brussels for regional aid.

Mr Millan is visiting the capitals of EC countries with areas of industrial decline. The new regulations of the European Regional Development Fund (ERDF) permit such areas, once their eligibility has been determined by Brussels, to apply for financial assistance.

Brussels' spending under this regulation is allowed to affect only 15 per cent of the EC's population. But international applications for eligible areas have exceeded this.

The Commission hopes to draw up the map of eligible areas by the end of this month. It has already defined the eligible regions in the UK

They include Nottinghamshire and West Yorkshire, which do not come within the Government's designation of areas for UK regional assistance. Now the Commission wants the Government trim the list by identifying the areas within the regions which should qualify for help.

Mr Millan will meet Mr Tony Newton, Trade and Industry Minister, Mr Ian Lang, Scottish Industry Minister, and Mr Peter Walker, Welsh Secretary. He will emphasise the importance that the UK match the ERDF finance, and that it is therefore sensible for the Government to identify areas it is willing to support.

The lion's share of the ERDF will go to the regions of the EC classified as under-developed. They include the whole of Ireland, Portugal, Greece and parts of Spain and Italy.

Decision on London Life merger set for next week

By Raymond Hughes, Law Courts Correspondent

LONDON LIFE, Britain's oldest mutual insurer, will learn on Tuesday whether it has High Court approval for its plan to merge with Australian Mutual Provident Society.

Mr Justice Hoffmann yesterday reserved judgment on the company's application for the scheme to be sanctioned by the court.

During the four-day hearing he had heard the scheme defended by London Life and criticised by some of the company's dissident policyholders – whose objections were described by AMP's counsel yesterday as "chauvinistic."

Mr Philip Heslop, barrister for London Life, told the judge that its board remained satisfied that the merger was in the best interests of the policyholders as a whole.

Just 13 of 120,000 policyholders had asked for their written views to be put before the court and five had come to court to put their objections in person.

Over 90 per cent of policyholders entitled to vote had voted at a London Life general meeting in favour of a resolution which had been seen as a referendum on the merger.

Mr Heslop said that whether it was desirable to merge, and if so with whom, was a management decision for the London Life board, and the court should not review that decision in the absence of evidence of bad faith or obvious unreasonableness. There was no such evidence, he said.

Mr Christopher Whitmey, a dissident policyholders, had suggested that the scheme should be amended so that policyholders could opt out and transfer to Equitable Life Assurance Society.

Mr Heslop said this was commercially impracticable and would be unfair to London Life policyholders as a whole.

Study into concentration of ownership confirmed

Fair trade office probes media

By Nikki Tait and Charles Hodgson

THE OFFICE of Fair Trading, the British watchdog on monopoly and consumer issues, yesterday confirmed that it is conducting a "wide-ranging" review of the UK media market, which will look at any concentrations of ownership.

The OFT said that the review started about a year ago, and was still at an early stage. It declined to comment on when it might arrive at any conclusions. If the review does throw up serious worries about media concentration, it would be possible for Sir Gordon Borrie, director-general of the OFT, to ask the Monopolies and Mergers Commission to conduct a full investigation.

The OFT said yesterday that the review would take into account recent changes in media ownership, cross-media interests, and also look at control on the distribution side. It strongly denied, however, that the review would concentrate on any particular media groups – although it did accept that Mr Rupert Murdoch's News International, by virtue of its span of interests, could be expected to feature fairly significantly.

News of the review follows recent assurances from government ministers, including Mr Douglas Hurd, the Home Secretary, that steps would be taken to ensure that there would be no excessive concentrations of ownership in the planned expansion of broadcasting in the 1990s.

The OFT review was warmly welcomed by the opposition Labour Party. Mr Bryan Gould, Labour's trade and industry spokesman, said the move reflected belated recognition that concentration of ownership "poses a real threat to freedom of expression in this country."

He claimed that the investigation was clearly aimed at News International, which owns the Sun, The Times, the News of the World, Today and the Sunday Times newspapers and the Sky Channel satellite television service which was launched on February 5.

Mr Gould recently wrote to Lord Young, the Trade and Industry secretary, urging a Monopolies and Mergers Commission investigation into the expansion of News International into satellite television.

Lord Young replied that he would pass Mr Gould's letter on to Sir Gordon Borrie, director general of the OFT. Yesterday, however, the OFT denied that the review had been stepped up in direct response to the Sky launch.

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CONTRACTS

Feed pumps for power stations

SULZER (UK) PUMPS, Leeds, has been awarded a contract to design the boiler feed pumps for two of the three new coal-fired power stations now being planned by the CEGB.

The company says that when completed these will be the largest such pump installations in the world and could be worth over £12m.

The design contracts, awarded by GEC Turbine Generators, are for pumps for Kingsworth B, Kent, and West Burton B, Nottinghamshire, power stations. These will each consist of two 900 MW generating sets, each supported by three feed-pump sets, two running and one standby, totalling 12 pump sets.

Each pump will be driven by a GEC 14 MW electric motor at 5800 rpm. If the design contract leads to manufacture and load testing, this will be undertaken at Sulzer's Leeds factory, which has a 15 MW test bed.

Training airline pilots

Four UK airlines - British Airways, Britannia Airways, Air Europe and British Midland - have awarded contracts to CSE AVIATION for training pilots at the Oxford Air Training School. Total value of the contracts is over £23m.

Some 387 pilots will be trained over three years, and will include both learners and experienced pilots.

To cater for the specialised training required, the company has ordered two American LOFT jet simulators, the first of which will arrive in October. Although based on a Boeing 737 - 300 with state-of-the-art electronic flight instruments, the simulators are stated to be sufficiently flexible to train crews on other types of jet aircraft.

BP Energy combined heat and power unit

BP ENERGY has signed a contract with National-Standard Company, Kidderminster, for the first industrial combined heat and power plant to be designed, installed, managed and operated by a contract energy management company.

The proposed plant - which is being progressed through formal planning approval - will produce 4.2 MW of electrical power and use the waste heat to produce steam for the factory process.

Worth some £11m, it will be operated as a private utility by BP Energy, and, it is claimed, will cut National-Standards current costs by a substantial margin.

Services at shopping centre

Contracts worth over £17m have been won by DRAKE & SCULL ENGINEERING, part of the Simon Group.

The largest, worth over £9m, is for the design and installation of all the mechanical and electrical services in the Meadowhall Centre Shopping City, being built at Sheffield. This will have 1.25m sq ft retail space, a hotel, waterpark, leisure centre, cinema, restaurants, and parking for over 11,000 cars.

At Birmingham City Council's international convention centre the company is installing mechanical services worth over £5.5m, and the plumbing department has a £600,000 order for cast iron drainage systems.

Improving shopping in Basingstoke

MOWLEM MANAGEMENT has been appointed by the Prudential Portfolio Managers to carry out major interior and exterior refurbishment of the Basingstoke Shopping Centre on behalf of its owners Prudential Assurance.

The £15.8m contract involves partially re-cladding the structure, roofing-in most walkways and the formation of a 2,100 sq metre food court. Demolition and remodelling will transform shops and offices into a department store adjacent to the food court. The food court will be fully air-conditioned with seven kiosks and central seating for some 380 people.

The interior walkways will be paved with terrazzo tiles while the open areas will be finished with ugraded paving stones interspersed by brick bands. Other works include the provision of management offices and the creation of a toddlers play group.

The shopping centre will remain open throughout the project. The contract started in January and has a phased completion over 20 months.

IN BRIEF . . .

Modernising fume treatment

★ Anglesey Aluminium Metal in Wales and FLAKT - in co-operation with Flakt division for the aluminium industry, Norway - have signed a contract for modernisation of fume treatment and fluoride recovery systems. The order is worth about £10m, and installation will be completed by 1991. The Penrhos works was built in 1971, and has to be upgraded to meet EC regulations on emissions planned to be in force from 1992.

★ The first order for HONEYWELL BULL's DPS 9000 computer range has been placed by the Eastern Electricity Board. Under a £10.5m contract a range of equipment, including the large mainframe computer, will be installed at EEB's headquarters in Ipswich in November.

★ SLP ENGINEERING, a subsidiary of George Wimpey, has been awarded a contract by Shell UK Exploration and Production for the removal and replacement of accommodation on two southern North Sea gas production platforms, and the refurbishment and extension of accommodation on two other platforms. The contract, worth £10m, will be completed in the spring of next year.

★ Power transmission contracts valued at nearly £6m have been won by the transmission and special projects division of EVE GROUP. They include 400kV refurbishment projects for CEGB and 132kV work for the South Wales, East Midlands and Yorkshire Electricity Boards. A 400kV/132kV project to deviate power lines to permit desulphurisation plant to be installed at the Drax coal-fired power station in Yorkshire is also being undertaken for CEGB. The contracts total includes projects commissioned by STC and North of Scotland Hydro-Electric Board, together with supply-only work in Oman and Tanzania.

★ SOFTWARE SCIENCES has won the ADCIS Stage 1 support contract from the Ministry of Defence. Potential value of the contract is over £3m and will involve support to MOD through the five years or more years of the procurement. It includes an average of ten man years consultancy per year for the five year period, with an option to extend.

★ RACAL COMMUNICATIONS has won a contract worth over £1m for the supply of HF communication receivers to the French Ministry of Defence. They will be supplied over the next three years for use by the French Navy in point-to-point communications.

★ WEIR WESTGARTH has been awarded a $8m order to supply a thermo-compression distiller plant to a new factory being built in Indonesia to make carbon black, used in making car tyres. The plant will remove salt from seawater to provide 132,000 gallons of fresh water a day.

★ REDLER WALKER is carrying out a £2m contract to make bulk handling equipment for British Coal. It comprises an automatic stockpiling and reclaiming system being installed at Daw Mill, near Coventry.

★ DDT MAINTENANCE has a three-year contract with Argos potentially worth £1.8m to cover maintenance of all electronic point-of-sale systems at Argos shops throughout the UK.

FT LAW REPORTS

No confidentiality rule for medicine licence

REGINA V THE LICENSING AUTHORITY, EX PARTE SMITH KLINE AND FRENCH LABORATORIES LTD
House of Lords (Lord Bridge of Harwich, Lord Templeman, Lord Ackner, Lord Oliver of Aylmerton and Lord Lowry): February 9 1989

THE MEDICINAL products licensing authority has a right to use information supplied to it by a previous applicant for a product licence, when considering whether to license essentially similar products made by other manufacturers, having regard to their safety, efficacy and quality.

The House of Lords so held *when dismissing an appeal* by Smith Kline and French Laboratories Ltd, from a Court of Appeal decision that the licensing authority was entitled to use information supplied by Smith Kline when considering product licence applications by Generics (UK) Ltd and Harris Pharmaceuticals Ltd, intervenors in the proceedings.

LORD TEMPLEMAN said that Smith Kline was granted a UK patent for the medicinal compound, cimetidine, for 16 years expiring March 9 1988.

Cimetidine was a valuable drug which healed duodenal and gastric ulcers and other gastro-intestinal disorders. It was first marketed in the UK as Tagamet.

On January 26 1965 the Council of the European Community promulgated a directive. This directive instructed that no proprietary medicinal product might be placed on the market in a member state without authorisation by the competent authority of that state.

In the UK the authorisation consisted of a product licence, which was granted by the licensing authority under the Medicines Act 1968 after considering the safety, efficacy and quality of the medicinal product.

Article 4 of the 1965 directive required an application for a product licence to be accompanied by certain specified particulars including, by paragraph 8, results of pharmacological and toxicological tests and clinical trials.

By paragraph 8(a), in the case of an application for a new product "identical" with a known product with an established use, or in the case of a new product consisting of known constituents used in "comparable proportions" in products with an established use, the applicant was not compelled to carry out tests and trials.

It was for the licensing authority to determine whether two products were or were not "identical" or "comparable" for the purposes of paragraph 8.

Some member states were more willing than others, on a second application, to dispense with tests and trials by accepting published literature which other member states found to be inadequate.

In 1986 the Council amended the directive by replacing paragraph 8 so that an applicant was not required to provide the results of tests and trials if his product was essentially similar to a product which had been authorised for six years, or for 10 years in the case of high-technology products. The UK extended the *10-year period to all medicinal products marketed in its territory.*

Thus by the amended paragraph 8 as applied in the UK, where two products were "essentially similar" and the first applicant had been in possession of a product licence for 10 years or more, the second applicant need not carry out and supply the results of pharmacological and toxicological tests and clinical trials.

By the Patents Act 1977 the term of a patent was increased from 16 to 20 years, but a patent granted after June 1 1967 was subject to licence of right provisions whereby any person might exploit the patent on terms to be settled by the comptroller in default of agreement between the proprietor and the licensee.

Smith Kline's patents relating to cimetidine became subject to the exercise of licences of right powers between March 10 1988 and March 9 1992.

Generics (UK) applied to the Comptroller General of Patents to settle the terms of a licence of right as from March 9 1988, to make, import and sell cimetidine compound. The terms were settled by the Comptroller and included payment of a royalty to Smith Kline.

Generics applied to the licensing authority for a product licence in respect of cimetidine. The application was not supported by the results of test and trials.

There was "essential similarity" between Tagamet and Generics' brand, because both products would contained cimetidine as the sole active ingredient. A comparison between the information supplied by Smith Kline and that supplied by Generics would demonstrate whether the two brands were *similarly* safe, effective and of good quality.

Harris Pharmaceuticals applied to the comptroller to settle the terms of a licence of right for cimetidine, and they were settled on terms identical with those for Generics. Harris applied to the licensing authority for a product licence in respect of cimetidine. That application was not supported by the results of tests and trials.

Smith Kline instituted judicial review proceedings against the licensing authority claiming a number of declarations prohibiting the licensing authority from making use of any of the information contained in its licence application without its consent.

Mr Justice Henry made a declaration that in considering an application for a product licence for cimetidine the licensing authority might not use or refer or have recourse to any confidential information supplied to it by Smith Kline, except with Smith Kline's express consent.

The Court of Appeal set aside Mr Justice Henry's order. Smith Kline now *appealed.*

Smith Kline submitted that its information file with the licensing authority should be sealed up and that no person concerned with the grant of the Smith Kline licence should deal with an application by Generics, Harris or anyone else, in case he should recollect or be unconsciously influenced by what he had learned from the Smith Kline application.

The question was whether English law prohibited the licensing authority from having recourse to the confidential information provided by Smith Kline on their application, for the purpose of considering whether to reject an application by Generics or Harris.

The principal task of the licensing authority was to protect the public. But in performing its functions it must treat all applicants fairly and equally. The standard it required from the first applicant must be required of the second and subsequent applicants.

If the information disclosed by a first applicant when compared with the information disclosed by the second led the licensing authority to conclude that the second application ought to be allowed, it must act accordingly. Conversely, if the information supplied by the second applicant cast doubt on some aspect of the product of the first applicant, the licensing authority must consider whether to exercise its power to revoke the first applicant's licence.

It was for the licensing authority, comparing the information received from the first and second applicants, and taking into account all other available information, confidential or not, to decide whether an application should be decline or granted.

It was essential for the licensing authority to compare the applications in order to satisfy itself that both products were similar, safe, effective and reliable.

The licensing authority could not discharge its duty to safeguard the health of the nation and its duty to act fairly and equally between applicants without having recourse to all available information, confidential or otherwise.

It was the right and duty of the licensing authority to make use of all information supplied by any applicant for a product licence which assisted it in considering whether to grant or reject any other application.

The use of such information should not harm Smith Kline. Even if it were to do so, that was the price it must pay for co-operating in the regime designed by Parliament for the protection of the public, and for the protection of Smith Kline and other manufacterers, from dangers inherent in the introduction and reproduction of modern drugs.

If Smith Kline chose to apply for a product licence under the 1968 Act it chose to provide information to the licensing authority for the purposes of the Act. It was not unconscionable for the licensing authority to make use of that information in the public interest for the purposes of the Act, although it would be unconscionable for it to disclose that information to third parties for other purposes.

Accordingly, there was no principle of confidentiality in English law which prevented the licensing authority from making use of the information supplied by Smith Kline for any of the purposes for which the authority was established.

The appeal was dismissed.

Lord Bridge, Lord Ackner, Lord Oliver and Lord Lowry agreed.

For Smith Kline: Jeremy Lever QC and Derrick Turriff (Simmons & Simmons)
For the licensing authority: Andrew Collings QC and Helen Rogers (Treasury Solicitor)
For Generics as intervenor: Jonathan Sumption QC and Thomas Sharpe (S.J. Berwin & Co)
For Harris Pharmaceuticals as intervenor: Henry Carr (Roiter Zucker)

Rachel Davies
Barrister

MANAGEMENT

Corporate alliances

Beware the iron fist in the velvet glove

Christopher Lorenz points out the danger of one partner acquiring skills or intelligence at the expense of the other

In the fast-moving competitive world of the 1990s, staying ahead will no longer be mainly a matter of the way you run your existing company, but how quickly you can change its shape to cope with shifting threats and opportunities. Few companies will be able to do this without "strategic partnering", whether their alliances are permanent, or, as in most cases so far, only temporary.

Such maxims have become increasingly popular among business academics, management consultants, business academics – and their clients – over the past couple of years, as more and more companies have rushed into international alliances.

In the past few months the spate has reached a new level, especially in Europe. Hardly a week has gone by without the announcement of at least one further alliance between major multinational companies. Many of the new partnerships (actual or proposed) are in electronics and electrical engineering – which has hogged most of the headlines this year thanks to the pulling power of names such as GE, GEC and Siemens – but there have also been plenty in cars, software, food, packaging, property or financial services.

What many enthusiastic new alliance partners have yet to realise, warns David Connell, a management consultant who has just made an intensive study of strategic partnering, is that it is no easy matter to deliver real commercial or strategic benefits from situations in which control is split between two or more of them.

Not only can the objectives and priorities of the various sides change over time, he points out, but the easiest partnerships to negotiate are sometimes those with the most significant "hidden agendas" – where one partner is using the alliance at the expense of the other to acquire a major new competence for its core business.

Connell, who works for the consultancy division of Deloitte Haskins & Sells, the international accountancy firm, draws these conclusions from an 18-month study of 20 cross-border partnerships between 45 companies in the United States, Europe and Japan. The study, which was completed before the current spate of deals in electronics and electrical engineering, will be published as a book in a few months' time*.

Connell's research into the challenges of collaboration has several considerable virtues, although it was less in-depth than a five-year study of 15 alliances carried out by a team of three leading international academics (see "Erecting Barriers", this page, January 9).

First, Connell pulls no punches about the pitfalls of alliances, especially the sort which merge parts of otherwise competing companies – as, for instance, in the case of some of the deals planned by Britain's GEC with GE of America and Siemens of West Germany.

Second, it distinguishes between different types of collaboration rather

> **Partial mergers "are a reflection of an inability by top management to come to term with changes . . . A straight disposal may actually be the more sensible approach"**

more clearly than much past research (though still not clearly enough), and suggests which varieties should be used in which circumstances. And third, it offers a lot of practical advice about how to structure the various types, right down to detailed questions of taxation, corporate identity, sales force integration, distribution and so forth.

While admitting that joint ventures are far from a new phenomenon, Connell emphasises that today's spate of strategic partnerships is much more far-reaching than most alliances in the past. These were merely "tactical" in that they enabled a company to achieve its sales objectives for individual, and generally minor, export markets.

Strategic alliances, by contrast, affect a company's overall competitiveness, says Connell – in technology, cost and/or marketing terms. And the way they are managed can affect the long-term trajectory of the whole parent company.

The Deloittes study does not cover licensing deals, which a few companies classify grandly as "joint ventures". But it does include another type of arrangement which most would not really consider to be fully-fledged collaboration: what it calls "vertical supply alliances", more familiarly known as "OEM relationships".

Under such deals one company supplies another with key components or sub-assemblies; examples include Matsushita/JVC's various arrangements with US and European companies to supply video recorders (either complete machines or their key components). Connell's "vertical supply" category also includes sub-contracted research and development, and alliances between manufacturers and their distributors.

His other groupings are: the creation of equity joint ventures to build new businesses (such as British Telecom and Dupont's opto-electronics venture); collaborative research and development (eg the Siemens-Philips "Mega Project" in semiconductors, and the Honda-Rover partnership in cars); the taking of investments in business partners (eg General Motors' stake in Isuzu of Japan, or Northern Telecom's in Britain's STC); and investment by large companies in innovative small ones (eg Monsanto's stake in Genentech's biotechnology enterprise).

Like any classification, Connell's "typology" of alliances is problematical in at least two senses: it inevitably fails to take full account of those which span several of its categories, as do several ventures which GE of America has around the world, for instance; and for the sake of brevity it combines under broad composite headings arrangements which should really be classified separately, such as joint ventures where ownership is shared equally versus those where one partner has clear majority control.

Nowhere is this more evident than in Connell's category of "partial mergers", involving only a portion of the parent companies' businesses. He includes 50-50 joint ventures (such as those between SGS and Thomson in semiconductors, and between GEC and Plessey in telecommunications), as well as ventures where one side predominates from the start, as with Whirlpool's 53 per cent stake in Philips' appliance business and the "merger", under majority Dutch control, of Leyland trucks and an offshoot of Daf.

He also includes arrangements where parity of control is intended from the start to be temporary: a topical case he discusses is the Franco-American computer alliance between Bull and Honeywell (with NEC of Japan as a smaller partner), where Bull has just purchased more than half Honeywell's original 42.5 per cent stake.

Most of the joint venture arrangements which GEC is planning with GE, and its deal with Siemens in telecommunications, would also fall into the same "partial merger" category, although their purpose, structure and modus operandi are likely to vary considerably.

In spite of these drawbacks in Connell's study, he has valuable advice for partial merger partners – both actual and potential.

First, he offers some general words of warning. As long as joint ownership continues, there will always be two or more separate major interest groups at board level which, in many cases, are in head-on competition in other parts of their business. And "immense integration problems" have to be dealt with if the partnership is to be successful.

Discussing partners' various possible motivations – which colour heavily the management of the relationship once it is created – Connell says that "partial mergers are used when both parties wish to improve their competitive position, but neither is prepared to divest completely (its) operations."

The reason for this may be a purely positive wish to achieve economies of scale. Alternatively, one partner may want to withdraw from the industry, but may face barriers – political or commercial – which would make this difficult to achieve in one move, especially if the company is a government-supported "national champion".

Third, a partial merger may provide "the only practical way of restructuring an overcrowded sector, eventually allowing the new business to be fully acquired by one of the parents or a third party . . ."

Fourth, there may be tax reasons why a disposal is difficult, for instance in the case of overseas subsidiaries of German companies. And fifth, partial mergers can provide a means of changing corporate direction gradually, releasing funds for major acquisitions in new areas before the final disposal is completed.

These are the logical reasons for partial mergers, Connell reports. But many of them "are really a reflection of an inability by top management to come to terms with changes which are forcing a new strategic direction for the company . . . A straight disposal might actually be the more sensible approach; a partial merger provides time for the emotional adjustment."

"In practice few partial mergers continue in operation with shared ownership for any significant time," says Connell. "Their usual role is to provide a vehicle for divestment by one of the partners, although neither party may envisage this when the merger is negotiated."

Most partial mergers can only be successful, he continues, if there is integration between each element in the partners' previously separate value chains – from research and development and purchasing right through to distribution and after-sales service. Above all, Connell concludes, the parents must find a way of handling their involvement which gives maximum autonomy to the new management while safeguarding their own interests. As with any form of parenting, "giving up control is perhaps the most difficult decision."

** Summary paper available from Jeremy Nagley, Deloitte Haskins & Sells, PO Box 207, 128 Queen Victoria Street, London EC4P 4JX.*

Why companies sack the best

By Michael Skapinker

When a company decides to get rid of some of its managers, what sort of people are likely to get the boot? The poor performers? Those who seem unable to cope with change?

No, says Mike Smith of the University of Manchester Institute of Science and Technology. Managers who are made redundant tend to be more intelligent, independent, self-confident and resilient than the average manager. They are also less likely to shy away from new or difficult situations. When lay-offs are made, Smith says, companies tend to get rid of their most talented people.

His conclusions are based on a study of 208 of the managers who passed through the Manchester office of Coutts Career Consultants over the past seven years. The majority had been made redundant or were changing jobs. Almost all were men. They ranged in age from 28 to 59, with an average age of 45.

The managers underwent psychological tests to help them decide what jobs would suit them best and to identify areas where they could develop their talents.

The results revealed that the typical redundant manager is highly intelligent, Smith says. "His IQ is about 129 which puts him in the top 3 per cent of the population. Comparative figures for a totally representative sample of British managers are not available. However, data for a sample of 603 managers attending courses at Henley Management College gives an average IQ of 123 and it is probable that the Henley sample is rather above average for managers."

In addition, the personality tests taken by the redundant managers revealed a "high score on venturesomeness. The average manager in this sample was more venturesome than three out of four people. This means that he would not shy away from difficult situations, and even in a hostile meeting they would remain sociable, communicative and fluent."

The managers in the sample were also calm, self-confident and relaxed. "Occupationally, this means that they had stamina and resilience. They were able to rise to difficult situations; in an emergency, they were unlikely to over-react or become disorganised."

The redundant managers were also "more independent than 76 per cent of the population. In particular, they were assertive and imaginative. In a work setting, their assertiveness means that they would be prepared to take responsibility and push proposals through."

The score for the Coutts managers on independence was higher than that of the Henley managers, who were more independent than 61 per cent of the population.

"The Coutts sample were almost as imaginative as they were assertive. Their score puts them in the top 25 per cent of the population compared with the 58th percentile for Henley managers," Smith says.

Why, then, do companies get rid of these talented, capable managers? Smith provides two possible answers.

The first is that when companies offer their staff voluntary redundancy, the most able managers are the first to leave because they are more confident of finding work elsewhere.

The second is what Smith calls the "oyster explanation." "In any organisation there are individuals who act as benign irritants by being sharper, more venturesome and more independent than others. They can act as a focus of organisational creativity in the way that a piece of grit acts as a focus for the creation of a pearl in an oyster.

"It may be that in times of difficulty the organisation takes a subconscious decision in favour of defensiveness. By making this choice they rid themselves of the irritant – individuals who challenge conventional orthodoxy with independent, clever and venturesome suggestions."

It could be, Smith suggests, that many of the strengths of the redundant managers lead to their downfall. Their independence and willingness to take risks could mean that they ignore organisational "amber signals" – the indications that their superiors are unhappy with their attitude.

Further information from Coutts Career Consultants, 25 Whitehall, London SW1A 2BS. Tel: 01-839 2271.

TECHNOLOGY

Whole wafers cut out chip wastage

Computer experts are divided over a new production technique. Della Bradshaw assesses the pros and cons

In the early 1980s Gene Amdahl, one of the world's most illustrious computer pioneers, lost $100m trying to develop a new chip technology. His company, Trilogy, was the industry's most expensive start-up.

Now a tiny UK company believes that it has cracked the problem for a mere £10m. The technology, known as wafer-scale integration, involves printing a set of chips complete with their connections on to a silicon wafer, rather than splitting the wafer into individual chips which must then be connected together.

Today Anamartic, a Cambridgeshire company, will demonstrate its technology for the first time at the semiconductor world's premier forum, the International Solid State Circuit Conference (ISSCC) in New York.

If Anamartic, an off-shoot of Sir Clive Sinclair's Sinclair Research, proves to have reliable designs which can be produced in high enough volumes, the result will be cheaper and faster computer systems, particularly for use within the financial sector. But, apart from scepticism among computer experts about whether Anamartic can succeed where Amdahl failed, they are also divided over the viability of the technology.

Amdahl himself believes that it has been superceded by other means of interconnection which will lead to computers that work more quickly but cost less. He says that Trilogy's developments in wafer-scale integration were a "dead end".

However, the Anamartic venture has gained considerable credibility through two of its investors: Tandem Computers, of Cupertino, California, and Fujitsu, of Japan, one of the world's largest manufacturers of mainframes. Anamartic's adoption of Fujitsu's chip and production technology has also enhanced credibility.

Also strengthening the UK company's hand is its decision to develop memory chip technology, a far easier venture than the processor chips attempted by Trilogy. However, Amdahl notes that production of memory devices in this way "is still a very difficult job."

Wafer-scale integration has raised such interest because it does away with several of the processes involved in making semiconductors, so producing more powerful, cheaper products. Silicon chips are usually manufactured, hundreds at a time, on the surface of flat wafers of silicon. The wafer is then sawn into individual chips and each one is packaged and attached to a printed circuit board (PCB).

With wafer-scale integration, the wafer is left whole and wired directly on to a PCB. As a result each chip on the wafer can communicate with its neighbour more quickly than in the traditional arrangement. Doing away with the packaging of individual chips also saves on cost and space – bit for bit, a wafer-scale device takes up a quarter of the space of a traditional one.

Another advantage is that the technique uses parts of the wafer that cannot be used in conventional semiconductor production. When a wafer is sawn up, the faulty chips are thrown away. So if a 1 Mbit (one million bits of information) memory chip has a defect in just one of its 1m transistors, it has to be discarded.

Wafer-scale integration uses every sound part of each chip, so pushing up the yields on the wafer. Anamartic has achieved this by employing specially developed software to bypass the faulty parts. The current moves in a bi-directional spiral, starting at the edge of the wafer, going into the centre and returning along the same path.

The downside is that the yield on the whole wafers has to be good enough for the company to begin the integration process. If 10 of the 200 chips were perfect, for example, but the rest unusable, the whole wafer would be thrown away. Under the traditional method 10 good chips could be salvaged.

The wafer on demonstration today in New York is six inches in diameter with 202 chips on it, giving each wafer a potential capacity of more than 200 Mbits. Anamartic is expected to get about 150 Mbits of usable memory from each wafer.

The chip design is from Fujitsu and is based on its 1 Mbit Dram (dynamic random access memory) technology, with added logic printed between each of the memory chips to control and gain access to them. The wafers are made for Anamartic in Japan by Fujitsu, on the Japanese company's standard 1 Mbit Dram production line, which etches lines 1.3 microns (millionths of a metre) thick on the Cmos wafers. As Fujitsu is a leading producer of Dram wafers, Anamartic is likely to get relatively high yields and speedy production runs.

Although Anamartic is keeping product developments under wraps, the wafers are likely to be stacked, up to 10 at a time, in a subsystem which could be added to existing computers. The subsystem would have a storage capacity of about 1.5 Gbits (1.5 billion bits of information) – the equivalent of more than 46,000 pages of text. The wafers will be packaged in a casing made from a closely guarded proprietary formula.

Because the Dram wafers produced for Anamartic are dynamic (they lose the information when the electric current is switched off), the first storage subsystems will be designed to fill the speed gap between quick-reacting computer main memory (dynamic memory chips on boards) and slower, but less expensive, computer disk drives. Such memory subsystems are likely to be announced before the end of the year.

The rapid growth in fault-tolerant computer applications – where there is a need to get information instantly, such as with bank cash machines – could provide a ready market for the Anamartic system, as the wafer devices would be cheaper than main memory. Tandem, one of the shareholders, is a major player in fault-tolerant computing.

Once the hurdle of the first wafer-scale product has been crossed, further developments look far more feasible. A non-volatile version of the stack, using battery back-up to hold the information in memory, could easily be developed from the existing wafer and would provide a very fast alternative to traditional magnetic disks. Other types of chip, such as non-volatile read only memory (Rom) or processors, could be developed in the same way.

Ivor Catt, a freelance inventor, of St Albans in the UK, who devised Anamartic's spiral software technique, has come up with a more advanced way of manipulating the technology. He has patented a wafer-scale computer, incorporating memory and processors on the same wafer, which work together in a two-dimensional array. The machine could have as many as 1,000 processors on every wafer.

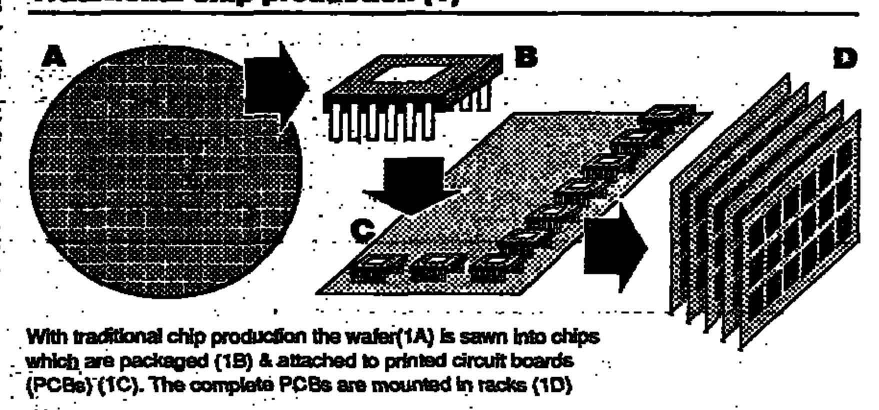
But questions about the viability of wafer-scale integration remain. Amdahl says that before Trilogy was disbanded, in 1986, it had developed a better way to make chips work more quickly, while costing less, particularly for main processors. "We discovered ways of packaging chips side by side with good enough interconnection to make them as fast as going for wafer-scale. And it had the advantage that if any of the chips had a defect when they were in use, they could be replaced." That technology now belongs to Digital Equipment, the US minicomputer maker.

A similar technique has been adopted by Unisys in its Micro A computer, launched last month, which the company describes as a "mainframe on a desk-top." At the heart of the computer are 11 chips, closely wired on a two-inch-square ceramic board, which act as a 48-bit processor (processing 48 bits of information at a time), like a mainframe computer.

As the debate continues over the vying technologies, one thing is certain: computer systems will become faster and cheaper through advances in the way chips are packaged

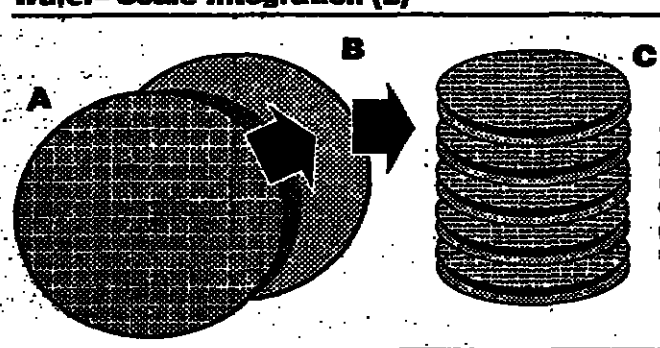
Keith Warren, managing director of the research division of Plessey, the UK electronics group, emphasises that the way chips are incorporated in products today creates as many problems as it solves. "The silly thing you see is high-speed chips linked together in a number of complicated ways, which create stupid delays. The whole point of integrated circuit design is interconnection."

Traditional chip production (1)



With traditional chip production the wafer(1A) is sawn into chips which are packaged (1B) & attached to printed circuit boards (PCBs)(1C). The complete PCBs are mounted in racks (1D)

Wafer- Scale Integration (2)



With wafer-scale integration the wafer (2A) is mounted directly on the PCB (2B) and then stacked (2C).

Getting the measure of oil and gas on the sea bed

Steven Butler reports on a metering technique which removes one of the obstacles facing a new generation of satellite fields

A technical breakthrough has been scored in the field of subsea engineering that promises to lower costs for small underwater oil field developments – and indeed to make more of them worth developing.

In March, Texaco will begin the first tests at its Tartan field in the North Sea of a multi-phase flow meter, a metering device designed to measure at the well-head the amount of gas, oil and water that is extracted.

After a test period on the Tartan platform, the equipment will be adjusted and installed on the seabed, at the Highlander field, which is a subsea satellite to Tartan.

Multiphase metering is far trickier than may be apparent, yet it is vitally important.

For fiscal purposes, North Sea producers need to know precisely how much oil and gas is produced from each oil field, and the performance of individual wells must be monitored carefully so that production can be optimised.

Standard metering devices are designed to measure flows of liquid or gas, but cannot handle the two combined.

This is because mixtures of oil and gas are inherently unstable. Sudden changes in the ratios of the two would produce spurious reading on metering equipment that would be impossible to interpret. Consequently, on a typical North Sea platform, oil, gas and water are first separated and then metered.

This is relatively straightforward with traditional oil developments, because platforms are located immediately atop the well-heads.

For a new generation of smaller North Sea fields, however, the traditional fixed platform development is far too expensive. Instead, these will be developed using subsea installations that are connected to existing production facilities by pipeline.

Highlander, for example, is eight miles from the Tartan platform. Metering of Highlander production currently takes place by using extra equipment installed on the platform.

However, to carry out metering in this way, an extra pipeline had to be installed so that individual wells could be tested. And although Tartan was able to take the extra weight of the equipment, this could pose a prohibitive obstacle for some North Sea fields.

Texaco says that several million pounds could have been saved in the case of Highlander had the multiphase metering equipment been available earlier. It is developing the system with Jiskoot Autocontrol, of Tunbridge Wells, Kent, with financial support from the European Community.

The system works by making a partial separation of the mixture of oil, water and gas, metering the flows and then recombining the three before piping it to a production facility for final separation and export.

As the three-phase mixture flows into the device, the pipe diameter increases, slowing the rate of flow and causing the gas to separate naturally as it reaches the top of the column. Full separation of the gas from the liquids takes place in an inclined, open flow vessel, where the liquid falls to the bottom and forms a pool, while the gas rises. The process is assisted by gravity.

Part of the oil-water mixture is channelled off the main vessel, where the last bit of gas is bled off. The liquid enters a patented microwave measuring device, where microwaves are passed through the flowing mixture. The proportion of water to oil can be determined by measuring how the waves are altered.

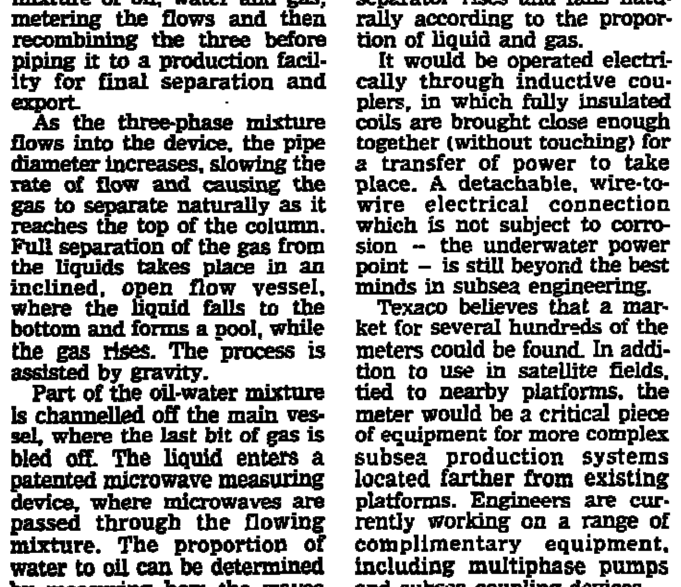
The actual volume of the flow is measured at the bottom of the inclined vessel.

Meanwhile, the gas is measured by traditional devices, after which it is recombined with the liquids by force of the pressure of the system.

The meter which Texaco is to test stands about 30 ft high and can handle production ranging from 3,000 to 18,000 barrels a day. It is expected to give readings that are accurate to within five per cent and can handle a mixture of up to 90 per cent gas. The level of liquid at the bottom of the incline separator rises and falls naturally according to the proportion of liquid and gas.

It would be operated electrically through inductive couplers, in which fully insulated coils are brought close enough together (without touching) for a transfer of power to take place. A detachable, wire-to-wire electrical connection which is not subject to corrosion – the underwater power point – is still beyond the best minds in subsea engineering.

Texaco believes that a market for several hundreds of the meters could be found. In addition to use in satellite fields, tied to nearby platforms, the meter would be a critical piece of equipment for more complex subsea production systems located farther from existing platforms. Engineers are currently working on a range of complimentary equipment, including multiphase pumps and subsea coupling devices.



Danes like the look of what they see in London

By Paul Cheeseright

One cosy corner of the Danish property industry has been transplanted to Fulham Palace Road, Hammersmith, London. It is alive and well.

Danbyg is the biggest property development and investment company in Denmark. Looking for expansion in 1986, it spent £8m on a site in Hammersmith with outline planning permission and conceived the idea of what is now called West Six.

Through Danbuild, its British unit, it is developing 200,000 square feet in three separate buildings, the first for office use, the other two for mixed studios and light industrial space.

The cosiness comes in because of the fact that Danbyg has been able to use in Hammersmith a series of relationships tested on the Danish domestic market. It obtains all of its land acquisition and construction finance from Privatbanken in Denmark. The same bank provided the necessary funds to get West Six off the ground. It obtains its long-term commercial mortgage money from Nykredit and KD, two Danish mortgage institutions. KD will provide the long-term finance for West Six.

Building costs at West Six are estimated internally at around £50 a square foot – cheap by British standards for such a development. This comes about partly because a portion of the work can be sub-contracted to Danish companies and some of the materials can come from Denmark. With a depressed local market they are glad for the work.

This depression in the Danish property sector is a factor behind the development of West Six and other UK acquisitions by Danbuild – land in the Limehouse district of London Docklands bought from Mountleigh, plus two residential sites in Liphook, Hampshire, and near Guildford.

Over the last two years there has been substantial office development in Copenhagen, largely through institutions as an alternative to making tax payments to the Government. The difficulty has been that there is no demand. Once the present phase of building is completed in about six months' time, there will be some 7m square feet of space overhanging the market, according to Danbyg executives. That will take at least two years to absorb. Not surprisingly rents have slipped, in some cases by up to 40 per cent.

Danbyg has to some extent been protected. Although it has some retail developments and in the past engaged in residential developments, its main strength lies out of town. It is a specialist in the development of mixed office and warehouse buildings, taken largely by industrial companies wanting an element of office space in conjunction with distribution, marketing or light industrial facilities.

What it prefers are large tracts of land where a number of units can be constructed, creating an estate where there is scope for tenants to move around as their needs change. To that extent it is not unlike Slough Estates.

What it does not do is to hold land in vast quantities. It buys two or three years before construction is planned to start. But this is easier in Denmark than in the UK of recent times because land prices have been stable. On any single plot the density is low – half of the space for the unit and half for landscaping and car parks.

The main scene of this activity is at Taastrup, a satellite town in Copenhagen about eight miles from the city centre. Here Danbyg has about 40 per cent of its investments. It owns about 8m square feet of land, of which three quarters has already been developed. Such holdings make Danbyg the biggest landowner in the immediate area and probably in greater Copenhagen.

Generally Danbyg builds to hold, although it has just completed a 400,000 square feet computer and administrative headquarters for Privatbanken in Taastrup. Its current portfolio contains 4.5m square feet of space, although over the last 18 years it has built 14.5m square feet of space.

Its net assets are in the books at the equivalent of £280m, but this is grossly understated. Investments are carried at net cost and there is no revaluation on the British pattern. Danbyg chases capital growth. Its profit levels are dictated by tax considerations as much as anything else.

Danbyg is the creation of Mr Axel Juhl-Jorgensen, a civil engineer who branched out on his own account nearly 20 years ago, and who still retains 100 per cent control of the company. He has kept the group firmly within the property sector, avoiding diversification into financial services and manufacture, save for the purchase of a third stake in Modulbeton. This was done to ensure supplies of concrete at a time of shortage.

Nor has there been much diversification overseas. There has been one venture in the US and latterly the British involvement.

But so far this has worked well, to the extent that planning delays between 1986 and 1988 worked to Danbuild's advantage with rents rising faster than costs. Indeed, the first part of West Six is being offered at £32.50 a square foot. But the difficult decisions on how to cope with London Docklands and a soggy south-east residential market remain to be taken.

W6 – rising costs and rising returns

Office rents per sq.ft.	£13.5	£25.0
Studio/light industry rents per sq.ft.	£11.0	£20.0
Estimated annual rent	£2.8m	£5.2m
Completed value – yield of 8.35%	£33.5m	£62.3m
Site cost	£8.5m	£8.2m
Construction cost	*£11.5m*	*£16.0m*
Finance	£2.0m	£6.0m
Total cost	£24.6m	£32.9m
Residual value	£8.9m	£29.6m

Source: Danbuild international estimates

Appreciating Frankfurt

If Copenhagen is about the coldest property market in Europe, then Frankfurt is the hottest. Here again there is a Scandinavian factor.

In the central office market there has been a chase to buy property against the background of continued expansion in demand for space from the 400 German and foreign banks which are represented in Frankfurt. The nine open-ended German property funds were the most aggressive players in the market, explained Christopher Bull-Diamond of Weatherall Green & Smith in Frankfurt, but latterly they have been supplanted by the Scandinavians.

The pattern of purchase seems broadly the same as that followed in London. Swedish investors have been using borrowed money from Scandinavian banks that have been prepared to lend up to 80 per cent of the value of the property against the security of the property, while at the same time taking further security against assets in Sweden.

There has been some evidence, Mr Bull-Diamond said, of investment buying on yields of 4 per cent on small buildings, although more realistically yields have been holding around 4.5 per cent.

Such buying, against projections of higher rents still to come, is reminiscent of the City of London in 1987. To be sure, rents have been rising fast. Weatheralls said in their annual report on the market that "in percentage terms the rate of increase is comparable to that of the City" over the last two years. But central Frankfurt rents are still only about a third of top City rents.

Rental rises and investment buying have been fuelled by the low level of development and probability of only limited new office space coming on stream until the mid-1990s. At the moment there is no new space available.

Whether the market is in danger of boiling over depends, Mr Bull-Diamond suggested, "on whether tenants are prepared or forced to go outside the central area, thus taking pressure off the established bank area."

The development market seems to have passed away from German companies into the hands of Dutch, British and US groups, while Japanese property and construction companies are just beginning to play a role.

The British presence is strong in the Frankfurt market, through – for example, London and Edinburgh Trust, MEPC, P&O Properties, ICI Pension Fund and the PanEuropean Property Unit Trust.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
17	18	19	20	21	22	23

EXHIBITIONS

London

The Barbican Art Gallery. The Last Romantics. A fascinating study of the romantic, symbolic and decorative strain in British painting, that links Burne-Jones and the later pre-Raphaelites to Stanley Spencer and the Slade muralists of the 1920s. Daily until April 9.

The Whitechapel Art Gallery (in collaboration with the Fundacio Joan Miro, Barcelona). Joan Miro: Paintings and Drawings 1929-41 – a study of the purest and most abstracted of the Surrealists through the period of transition from his earlier, directly figurative work, to the final confirmation of his mature and most characteristic manner. Daily except Mondays until April 23 – sponsored by Citicorp/Citibank.

The Hayward Gallery. La France: Images of Women and Ideas of Celebration of France, the Revolution Revisited. The exhibition is an odd and delightful anthology of images of that sometimes seductive, sometimes daunting personification of La France, Marianne, as she has been has been depicted in French art over the two centuries since the Revolution, with a few antecedents thrown in. It is frustrating in that not all the requested loans were met, and the gaps are eloquent of the larger exhibition that might have been. But even so it is a generous and affectionate tribute to Britannia's difficult neighbour. Daily until April 16: then on to the Walker Art Gallery, Liverpool, May 3 to June 11.

The Royal Academy. Italian Art in the 20th century – after German and British, the 3rd in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases, clearly setting out the several developments of Futurism, Metaphysical Painting, Realism and Abstraction, but is rather more cursory and helter-skelter in bringing the story up to date. But the works in themselves are well chosen throughout, never less than intriguing and often very beautiful. All in all it is a remarkable exhibition (daily until April 9, except only Good Friday: sponsors Alitalia and Fiat).

Paris

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary *peintre maudit*, influenced at first by the impressionist Pissarro and later by Degas and Cezanne. The powerful personality of the self-taught artist rapidly asserts itself. The combination of japanism and primitivism expressed in glorious pure colours and the grave sensuality of his large Tahiti canvases revolutionised the artistic scene of his time and inspired the avant-garde movements of the early 20th century. Until April 24, closed Tue; late closing night Wed (42 96 58 30).

Musée Picasso. Because the floors of the museum are crumbling under the passage of visitors, all the paintings have had to be taken down during repairs, which will last for about two months.

Musée d'Orsay. Paul-Emile Miot's photographs from Tahiti 1869-1870 show the melancholy reality behind Gauguin's dreams of an exotic paradise. Closed Mon, ends April 23 (40494814).

Bibliotheque Nationale. Gauguin et l'Ecole de Pont-Aven. Echoing the retrospective at the Grand Palais, theBibliotheque Nationale exhibits engravings by Gauguin and hisfriends, among whom O'Connor emerges as the most powerfulpersonality. Ends March 5 (47038126).

Musée du Luxembourg. Treasures of Gallo-Roman Silverware.The splendour of Roman silversmiths' work is brought to life by the rich finds on the territory of Roman Gaul. 250 exhibits show favourite decorative motifs – floral themes, scenes inspired by hunting or by the Dionysos cult. Tableware, mirrors and treasures from temples testify to the finesse of Roman and Gallo-Roman master craftsmen. 19, rue de Vaugirard (42342595). Closed Mon, ends April 23.

Brussels

Musées Royaux d'Art et d'Histoire Indus. The ancient cultures of Pakistan. Closed Monday. ends May 14.

Musée D'Art Moderne. A retrospective of the paintings of Jean-Jacques Galliard (1890-1976). Closed Monday. Ends March 12.

Générale de Banque, 29 Rue Ravenstein. Formal Dutch furniture of the 16th-18th Centuries. Open daily, ends Mar 21.

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Berlin

Nationalgalerie, Potsdamer Strasse 50. Guggenheim Collection.Around 60 paintings from the Solomon R. Guggenheim Foundation in New York and Venice with works by Picasso and Pollock are exhibited. Ends March 19.

Munich

Kunsthalle der Hypo Kulturstiftung. Retrospective of Paul Delvaux. This exhibition with 66 pieces from all periods is the first big presentation of Delveaux's works in Germany. The 91 year old Belgian painter first became famous for his surrealist work in the 1930s, influenced by De Chiricos and Magritte. The main subject of his paintings are naked women in classical settings and landscapes from his homeland. Ends March 19.

Cologne

Haus der Kunst. Art of the Biedermeier. This exhibition tries to define the Biedermeier period with seven different themes: what does Biedermeier mean? How were people presented in the Biedermeier era? Everyday life. Landscapes and nature. The towns. Art and artists. The effect of Biedermieer. Here are no paintings of Spitzweg, instead pictures by Karl Friedrich Goeser, Domenico Quaglio, Wilhelm von Kobell, Karl Joseph Stieler, Ferdinand Georg Waldmueller, Christen Kobke, Christoffer Eckersberg, Karl Begas and Wilhelm von Schadow as well as Friedrich Georg Kersting. The presentation is dominated by the 462 paintings. There is also a complete furnished room. Ends Feb 26. Prinzregentenstr. 1.

Vienna

Kunstlerhaus. The Soviets are becoming more relaxed about exhibiting their treasures abroad. The latest to hit the West is a collection from Leningrad's Hermitage which is devoted to Scythian Gold, the golden artifacts of the Scythians, a nomadic people who once ruled over a large area north of the Black Sea. The 170 exhibits – ranging from gold-embroidered clothings, earrings and tablewear – were found in the ritual grave mounds of the Scythian kings. Ends February 26.

Secession. The Austrian designers, Oskar Putz and Adolf Krischanitz are worth seeing. Krischanitz, who designed some of the marvellous furniture at the newly restored Secession, is having a big impact in Japan. Besides seeing what the post-war generation of Austrian artists are up to, one can also see Klimt's Beethoven Frieze, which is now back in its original place.

Rome

Villa Farnesina, Via della Lungara 230. Over 100 fierce lithographs by the French artist Honoré Daumier, most of which originally appeared in the Parisian satirical paper Charivari. Unable to attack his monarch Louis Philippe directly during the years 1830 to 1848, Daumier lashed out viciously at other monarchs, mostly European, but with a particularly vicious series directed at the Emperor Soulouque of Haiti, for their racist attitudes. Until Feb 28.

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

Milan

Palazzo Reale. Avant-garde Russian painting from private collections (1904-1934). A remarkable exhibition organised by the Comune of Milan and the Soviet Cultural Foundation, and sponsored by Pirelli, of works from 19 private collections in Moscow, Leningrad and Kiev, none of which have ever been seen in the West. Until March 5.

New York

Pierpont Morgan Library. Master drawings borrowed from Holland's oldest museum, the Teyler in Haarlem, focuses on work by Michelangelo, Raphael, Golzius, Rembrandt and Guercino among 100 pieces from the 16th and 17th centuries. Ends April 30.

Museum of Modern Art. In advance of its arrival at London's Hayward Gallery in November, the first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1950s, covering the Campbell's Soup cans, silkscreens on canvas of Elvis, Jackie Kennedy, Marilyn Monroe and other movie stars, disaster paintings and numerous self-portraits. Ends May 2.

Chicago

Art Institute. As part of a national tour, 67 rare ancient Greek sculptures, bronzes, and painted terracotta trace the development of the human form in art. Ends May 7.

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner to the pre-Raphaelites. Ends March.

Tokyo

National Museum. Treasures from the Ninnaji Temple in Kyoto. This Zen temple was founded in 888, but most of its present buildings date from the 16th century. The temple is a recognised centre for the gentle arts of the tea ceremony and flower arrangement and its treasures include beautiful gilt Buddha statuettes, lacquerware and porcelain from the Heian period.

Japan Folkcraft Museum, Komaba. East Meets West: ceramics and etchings by the two greatest potters of the 20th century, Bernard Leach and Hamada Shoji.

MUSIC

London

London Concerto Orchestra, conducted by Nicholas Cleobury with William Stephenson (piano). Rossini, Handel, Grieg, J Strauss, Elgar and Borodin. Barbican Hall (Fri) (638 8891).

London Symphony Orchestra conducted by Rafael Frühbeck de Burgos, with Nigel Kennedy (violin). Britten, Beethoven, Stravinsky. Barbican Hall (Sun) (638 8891).

The Philharmonia conducted by Giuseppe Sinopoli with Martha Argerich (piano). Wagner, Liszt, and Beethoven. Royal Festival Hall (Tue) (928 8800).

London Symphony Orchestra conducted by Michael Tilson Thomas. Stravinsky, Ravel, Rachmaninov. Barbican Hall (Thur) (638 8891).

Paris

Tamas Vasary (piano). Beethoven, Chopin (Mon) Chatelet (40282840).

Olaf Baer (baritone), **Geoffrey Parsons** (piano) (Mon) Théâtre del'Athenée (47426727).

Nouvel Orchestre Philharmonique conducted by Serge Baudo, Bella Davidovitch (piano), Jean-Louis Gil (organ). Van Rossum, Franck, Saint-Saens (Mon) Grand Auditorium, Radio France (42301516).

Yo Yo Ma (cello) **Kathryn Stott** (piano). Schumann, Kirchner, Schubert, Brahms (Wed), Théâtre des Champs Elysées (47203637).

Julian Bream (guitar) Salle Pleyel (Thur) (45638873).

Vienna

Austrian State Radio and Television Orchestra conducted by Hubert Soudant. Soloists, Patricia Wise (soprano), Julia Bernheimer (alto), Hein Meens (tenor). Honegger, Kaufmann. Musikverein (Fri).

Musikfest – Oesterreich heute, opening concert conducted by Isaac Karabtchevsky. Schubert, Kaufmann, Krenek, Schoenberg. Konzerthaus (Fri).

Wiener Symphoniker conducted by Franz Welser-Möst. Beethoven, Hindemith, Schumann. Musikverein (Wed).

Amsterdam

Royal Concertgebouw Orchestra conducted by Herbert Blomstedt, with Yo-Yo Ma (cello). Haydn, Bruckner (Fri). Concertgebouw.

Elly Ameling (soprano) accompanied by Rudolf Jansen. Haydn, Mozart, Schubert, Brahms, Faure, Poulenc (Tue).

Rotterdam

Vermeer Quartet. Ginastera, Beethoven (Tue). Schubert Quartet. Schubert (Wed). Doelen (413 2490).

Frankfurt

Stuttgart Radio Orchestra with Frank Peter Zimmermann (violin) conducted by Sir Neville Marriner. Brahms. Alte Oper (Sat).

Frankfurt Radio Orchestra conducted by Eliahu Inbal with three radio choirs from Stuttgart, Hamburg and Cologne. Soloists are Maria Ewing, Denes Gyulas, Robert Lloyd and Gilles Cachemaille. Berlioz. Frankfurt, Alte Oper (Fri).

Munich

Württemberg Chamber Orchestra conducted by Joerg Faerber and Anne Sophie Mutter (violin). Haydn, Lutoslawski, Wagner and Bruch. Philharmonie im Gasteig (Sun).

Rome

Die Philharmonischen Virtuosen Berlin, with pianist Marisa Tanzini. Mozart, Dvorzak and Schubert. Teatro Olimpico (Wed.) (393304).

Chamber Orchestra of Europe with violinists Gidon Kremer and Tatiana Grindenko. Rossini, Viotti, Mendelssohn and Schnittke. Auditorium in Via della Conciliazione (Fri.).

Florence

Benjamin Britten's War Requiem conducted by Bruno Bartoletti with Edda Moser (soprano), Zeger Vandersteene (tenor) and John Patrick Raftery. Teatro Communale (Fri, Sat and Sun) (2779236).

New York

Philadelphia Orchestra conducted by Riccardo Muti with Westminster Choir directed by Joseph Flummerfeldt. Verdi programme. Carnegie Hall (Mon) (247 7800).

Chamber Music Society of Lincoln Center with David Jolley (horn), David Singer (clarinet). Brahms, George Perle (world premiere), Dvorak. Lincoln Center Alice Tully Hall (Tue) (362 1900).

Joan Morris mezzo-soprano recital with William Bolcom (piano). Tchaikovsky, Bolcom, Dvorak. Town Hall (Tue) (840 1515).

Eugene Istomin piano recital. Mozart, Debussy, Chopin, Beethoven. Carnegie Hall (Wed) (247 7800).

New York Philharmonic conducted by Kurt Masur with Claudio Arrau (piano). Mozart, Beethoven, Brahms. Lincoln Center Avery Fisher Hall (Wed, Thur) (799 9595).

Washington

National Symphony Orchestra conducted by Alessandro Siciliani. Rossini, Mendelssohn, Respighi. Kennedy Center Concert Hall (Tue) (254 3770).

National Symphony Orchestra conducted by Sixten Ehrling with Ruth Laredo (piano). Berlioz, Schumann, R. Strauss. Kennedy Center Concert Hall (Thur) (254 3770).

Chicago

Chicago Symphony Orchestra conducted by Erich Leinsdorf with Ruben Gonzalez (violin), Dale Clevenger (horn), Edward Druzinsky (harp). Haydn, Chausson, Brahms, Debussy. Orchestra Hall (Tue) (435 6666).

Chicago Symphony Orchestra conducted by Erich Leinsdorf with Cristina Ortiz (piano). Brahms programme. Orchestra Hall (Thur) (435 6666).

THEATRE

London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). March 1-4.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Björnson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Marcel Marceau (City Center). Month-long performances by the legendary French mime mark his first appearance in New York in six years. Ends Feb 26 (581 7907).

Washington

Steel Magnolias (Kennedy Center Eisenhower). Barbara Rush and June Lockhart star in this view of Southern life through the antics in a hairdressing salon. Ends April 2 (254 3670).

Beggar's Opera (Folger). This eighteenth century view of London low life by John Gay gets inspiration from its Globe Theatre setting. Ends April 9 (546 4000).

Chicago

The Enormous Room (Next Theatre). John Carlile directs his own adaptation of the e.e. cummings novel about internment in the First World War. Ends Mar 26 (475 1875).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

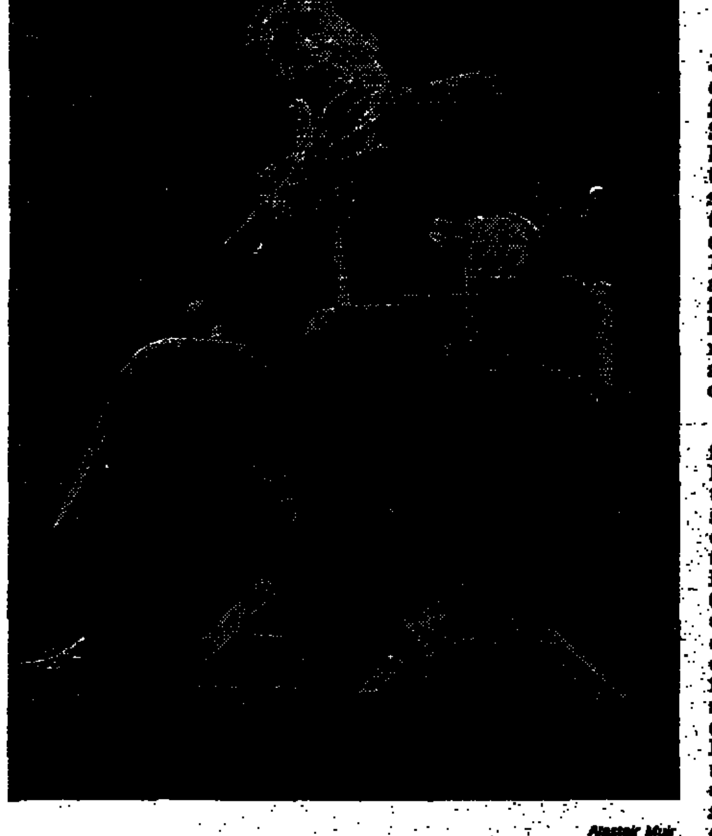
Tokyo

Kabuki. Kabuki-za (541 3131). The matinee performance at 11.30am features four works, including a recent showpiece, *Genji Monogatari*, a tale of the Genji clan. The final play in the evening performance at 4pm is *Megumi no Kenka (The Fight with the M Brigade)*, which features a spectacular and amusing fight between firemen and sumo wrestlers and stars Onoe Kikugoro VII, for whose great-grandfather the play was written. Tickets are available for a single act and the theatre provides information in English-language programmes and earphone commentary.

Asinamali. Space Part 3, Shibuya. Anti-apartheid musical, performed in English by the Committed Artists group from South Africa. The title means "We have no money", but its meaning is "We have suffered enough" (477 5858).

ARTS

The World According To Me



Jackie Mason

Alastair Muir

PLAYHOUSE THEATRE

Jackie Mason is a Jewish comedian and former rabbi from New York's Lower East Side who toiled in the holiday hotels in the Catskill Mountains for decades, blew a television career by allegedly giving the all-powerful Ed Sullivan one or two fingers, on air, in 1964, wrote a play that flopped after 97 previews and one performance in 1969, lost a lot of his own and other people's money in doomed film projects, and was finally "discovered" on Broadway two years ago.

In other words, he comes from the hard knocks school. He is also sickeningly funny, unrepentantly vulgar, highly skilled and scabrously satirical. In the final moments of his two-hour monologue at the Playhouse near Charing Cross (the six-week season has been extended to ten weeks), he declares that England is the only place in the world where food is more dangerous than sex. He's lost 112 pounds in six days. He launches into a brilliant *shtik* about hard cheese, soft cheese, hard eggs, soft eggs, air-conditioning, smoked salmonella. He thought he was coming to the most civilised country in the world. He's come to Uganda and he's on hunger strike.

There have been countless great American comics from the Borscht Belt circuit. Even Lenny Bruce played it, and Mason is a bit like Bruce in his political savagery, but without the rude words. He is less intellectually mordant than Mort Sahl, but more vicious than Alan Sherman. Like all of them, he wears his Jewishness like a badge and with a hopeless shrug.

Jews who are proud of being Jews, he says, will condemn him for being too Jewish. His observation is always too close for comfort, even when rooted in the clichés of ethnic identity. Blacks in the ghetto may be hoodlums. "There are no tough Jews. Nobody ever walked into a Jewish neighbourhood and got killed by an accountant."

One big target is the disguised or denying Jew, the man who joins the country club and wears white socks. Another is the show-off, the executive who yells at people he cannot hear on his car telephone, the producer in Hollywood who produces nothing but cards from his top pocket, the bejewelled hostess who boasts of European dress labels she cannot pronounce.

He enlivens the stereotype by the force and detail of his commentary, and in so doing liberates us through laughter from the tyranny of racial timidities. Pick on Jews, pick on everyone: Italians, Gentiles, folk singers, Dan Quayle.

He speaks like he doesn't care, selecting one or two people in the front rows to oil his linking material with finger-jabbing insults. But he looks funnier himself than any victim could, a puffed up little bullfrog in a barathea blazer, too short for his size, frizzy hair, with bulging skin bags under sad eyes and a voice both adenoidal and guttural that the denying Jew would have had fixed years ago along with his name (Mason did that – he's really Jacob Maza) and his nose.

His aggression takes great swipes at President Bush's affected firmness, the fatness of Mrs Bush ("You never see them in the same photograph – there's no room"), the hollaing do-gooding of Jesse Jackson (he can take prisoners out of countries who don't even want to go), the accent of Kissinger, the illness of Nixon ("It's syphilis. You can't screw two hundred million people and end up with phlebitis").

I was most surprised by the physicality of his impersonations. He celebrates the non-talent of Stallone by doing a hee-haw grunt and pelvic strut. "Ninety million dollars. I talk poifect and I can't make a living." Similarly, singers today have one thing in common. No voice. And he subverts his own historical thesis with a brilliant scat syncopated evocation of Al Jolson, a quick brush-stroke croony send-up of Bing Crosby. He says Sinatra is the greatest singer alive, because everyone else says that, and if you don't you get killed.

Apart from anything else, the show has a great script. It is a rollicking, rhythmic compendium of vivid vocabulary and phraseology. You can savour a lifetime's work in the dizzying paragraph construction, punctuated with brute caesuras

One big error is to end on a sentimental explanation instead of proper material. Why do American performers, even rough ones, always have to say Thank You?

Michael Coveney

Musical life in New York

The splendour of New York's musical life is not Lincoln Center – home of the Met, the Philharmonic and the City Opera – but Carnegie Hall, with its parade of orchestras from Vienna, from Berlin and Boston and Baltimore, Prague and Paris and Pittsburgh, London and Leningrad and Louisville, Dresden and Detroit, Chicago and Cleveland, Philadelphia, Cincinnati, San Francisco. It's alarming to reflect that, when Philharmonic (now Avery Fisher) Hall went up on Lincoln Center, Carnegie was nearly demolished: as the old Met was demolished when the horrid new Met went up on Lincoln Center. But Isaac Stern galvanized concerned people, and Carnegie was saved for the city. It is in use every night. Perhaps the old Met would be, too, if still it stood.

Carnegie today isn't "old" Carnegie, however. It opened nearly 100 years ago (Chaikovsky conducted), and over the years it was variously altered and mutilated. Heavy proscenium curtains were added. A hole was cut in the ceiling, above the orchestra, for the making of a movie, and all sorts of tat hung down over the stage. Tall stage screens obscured the good architecture. But it had good, even, warm sound. In 1986 there was a renovation, costing millions. The curtains, the tat, the screens were scrapped. New floors, new seats were installed. It wasn't a return to pristine glory – instead of the original warm Victorian colours, in which "old rose" was dominant, the cream-and-gilt scheme now associated with classy "culture" was chosen for the paint job – but it was very handsome. Tuthill's architecture was again revealed.

But – it's a "but" that makes musicians feel that some of those millions were misspent – the acoustics were drastically altered, and for the worse. The place was no longer warm, flattering, welcoming. String sound turned harsh. Orchestras sounded unfocussed. Evenness had gone. Critics are given seats in the stalls; in intervals, I seek friends sitting in the boxes and ask if there are any empty seats there. Up in the tiers, the sound is now much better than down on the floor.

For a season, the management put a bold face on things and – despite a barrage of hostile commentary – insisted that everything was just fine. But this season they ringed the platform with low screens designed to soak up mid-frequencies. The screens are low enough not to wreck, merely to vitiate, the stage architecture. To my ears they are almost no acoustical help at all: a few more millions will have to be raised to turn Carnegie into the excellent hall it was before all those millions were spent on its "renovation."

But meanwhile the parade of great orchestras continues. The season began with the Vienna Philharmonic and Leonard Bernstein, with a Brahms 4 that seemed to me orchestral performance on the highest attainable level. It spoiled one for most of what came after in the way of standard repertory. But Karajan and the Berlin are due soon; and the Cleveland Orchestra have just given three concerts of exceptional interest and merit.

In my London days, there was an ever-shifting orchestral "league table." As undergraduates, we thought Hallé/Barbirolli string tone superior to that of any London orchestra, but admired RPO/Beecham woodwinds above all others. And so it went on: changing, in fact, as conductors changed: the Philharmonia under Cantelli and Karajan, the LSO suddenly best of all . . . In America, there's something of the same thing. The Cleveland under Szell was once deemed supreme. Chicago/Solti took the lead for a long while. Then Philadelphia/Muti rose. But Chicago and, increasingly, Philadelphia have become rather hard, bright orchestras: "perfect," but with a perfection suggesting a studio recording. And now, it seems to me, the Cleveland, under Dohnanyi, has regained the position it had under Szell. When it comes to New York, one doesn't miss the concerts.

Partly, no doubt, it's a matter of arresting programmes. Cleveland's three days here began with Delius's *Irmelin* Prelude and ended with Varèse's *Amériques*. They included the Busoni Piano Concerto and the Tippett Triple Concerto. Also an excellently poised account of Mozart's E-flat Symphony and an "Eroica" that held one intent on the heroic progress. The Cleveland Orchestra unites sterling tone, superb balance and tuning, with classical communicativeness. Its full string sound may not be as warm and blooming as Vienna's, but its accurate, beautifully audible pianissimo string playing is second to none. Wind solos have character and distinction. The brasses can be fiery, but they don't blare and sear as the NY Philharmonic's do. The *Irmelin* Prelude was clear and precise, without the soft-focus poetic haze that Beecham cast, but it was exquisite. In the Tippett concerto, three front-desk players showed their prowess.

The Busoni concerto has not been debased – as Mahler symphonies have been – by frequent, workaday, commercial performances. When I was younger, performances of any but Mahler's First, Second, and Fourth Symphonies were rare, very special events. Performances of the Busoni Piano Concerto are still that. (The last New York performance was 20 years ago, at a Cleveland/Szell concert.) And so each time the work excites one afresh with the richness, exuberance, distinction, and integrity of Busoni's invention. Garrick Ohlsson was a soloist both noble and poetic, placing effortless technical prodigy – the 75-minute work must be the most exigent of all piano concertos in stamina and digital prowess – at Busoni's service.

When the RPO came here this month, under Ashkenazy, it played Shostakovich and Mahler. The LSO, due here soon, under Michael Tilson Thomas, has billed Prokofiev and Mahler, with a Knussen fanfare as token British representation. Not good enough. When British orchestras march in the Carnegie parade, the New York public needs to hear what British composers have been writing for them. No longer just Elgar, Vaughan Williams, Walton – still less Shostakovich, Prokofiev, Mahler – but Tippett, Davies, Birtwistle, Colin Matthews, Robert Saxton, Jonathan Lloyd and the other composers whom New Yorkers read about (now that the FT is a New York daily, on sale at every busy street corner) but, except at the chamber concerts of the more adventurous ensembles – or when Cleveland brings Tippett to town – never hear.

Andrew Porter

See Tuscany and sigh

Susan Moore reviews the Etruscans

It is a rare feat to bring to life the spirit of a school of painting which barely existed. The Etruscans were never more than a loose fraternity of British and American landscape painters who worked in Italy with Giovanni Costa (1827-1903). The Italian patriot and painter attracted a bewildering diversity of talent: those who became giants of Victorian art and design, such as Frederic Leighton and Walter Crane, and others, including one Arthur Lemon, a former Californian cowboy, who are hardly known at all.

The birth of this new breed of Etruscans, and their impact on British art, is one of the most neglected chapters of 19th century landscape painting. The thread is unravelled to great effect by Christopher Newall in a long-overdue exhibition which begins its tour in York. It originates, appropriately, from Stoke on Trent, the home of Wedgwood's Etruria factory, and the birthplace of one of Costa's closest followers, George Heming Mason.

Costa believed that Nature was meaningless unless interpreted with sentiment. Nature was not to be slavishly recorded but rather the distillation of the artist's emotional response to it. He advocated atmospheric tonal colour and the reduction of landscape to its essential form. No doubt part of his appeal for Mason, the young Leighton and those artists who later sought him out on Leighton's advice, was his rejection of the objective, obsessively detailed and ultimately arid naturalism of the Pre-Raphaelites.

For Costa, who had fought with Garibaldi in 1849 and was in virtual exile from Rome for the following decade, landscape had to express what an artist felt for his native land. His acolytes saw the Roman campagna, and the coastal regions of Tuscany, more through the eyes of Ovid and Virgil, Keats and Shelley. Etruscan art is characterised less by any similarity of style than by a common mood and sentiment. Their landscapes are willfully nostalgic, monotonic. For creator and spectator a case of see Tuscany and sigh.

One of the fascinations of the show is to see what the various artistic personalities chose to learn from Costa. Mason, particularly, shared his unsentimental interest in rustic peasant life; Edgar Barclay's classicising frieze of washerwomen on the banks of a river near Rome provides a refreshing alternative to Alma-Tadema's indolent Roman bathers. Most strove to emulate Costa's vision in terms of pure landscape, adopting his preferred format of strongly horizontal, high-horizon panoramas, and the expressive light of dawn and dusk.

At times the canvases are reminiscent of Freidrich. The viewer becomes the silhouetted figure gazing across the sweeping plain in Matthew Ridley Corbet's tour-de-force, or Costa's Franciscan rejoicing in the sun rising over the Umbrian countryside.

One reason why Costa is so little known in Britain is that only one (small) work has found its way into a national collection. (The canvas presented to the nation by a group of friends, including G.F.Watts and Burne-Jones, was destroyed in the 1928 Tate flood.) That he was once widely known, and is so well represented here, is largely due to his friend, patron and fellow Etruscan, George Howard, 9th Earl of Carlisle.

Keats Grave in Rome, by George Howard, 9th Earl of Carlisle

George Howard emerges as a painter of great stylistic range and independence, and as one of the brotherhood's most gifted members. Costa emphasised that "art must express the sentiment of the artist's country", and the Englishman proved no less adept in his native land. His gloriously bold, unmistakably Northern watercolours of the park and landscape around his Cumbrian home provide an unexpectedly vivid postscript to Etruscan painting.

The exhibition continues at York Art Gallery until March 5, and opens at Leighton House, London, March 20-April 22, and at Stoke on Trent Art Gallery, April 29-May 28.

English Concert

ST JOHN'S, SMITH SQUARE

Trevor Pinnock's English Concert makes fewer London appearances than many of its period-instrument rivals, and Wednesday's concert at St John's was sold out well in advance.

The chamber orchestra is currently recording a set of Haydn's *Sturm und Drang* symphonies for Archiv and two of those, No.43 in E flat, the "Mercury," and No. 47 in G, given in lithe yet straitlaced and unjoyous accounts, were the cornerstones of its programme.

A pair of Mozart concertos separated the symphonies, and the first of them, the Oboe Concerto K.314 with Paul Goodwin as the impressive soloist, raised many questions about the whole business of period-instrument performance. However proficient the soloist, getting over the hurdles of a classical wind concerto on an 18th-century instrument never seems anything but a battle; the vagaries of intonation, and the difficulties of obtaining evenly weighted passage-work seem a positive hindrance.

Where the use of period strings or keyboards is invariably a pure gain in expressive and textural terms, the problem of wind instruments is much less clear cut. Goodwin surmounted the problems of the concerto quite magnificently but it would hard to argue that the result was a more *musical* performance than it would have been with a modern instrument, even if it was historically a more faithful one.

Directing the English Concert from the harpsichord Pinnock gave his oboist clear, straightforward support, and then proceeded to play and conduct Mozart's A major Concerto K.414 from the fortepiano. His keyboard style is direct and uncomplicated, carefully weighing tuttis and solo passages, though one could have hoped for a greater fondness in the shaping of some phrases, a greater sense of Mozartian style.

The impression his playing left was of a perfectly civilised but essentially impersonal 18th-century approach that just happened to be focussed upon a Mozart concerto on this occasion.

Andrew Clements

Berio's Sinfonia

ROYAL ACADEMY OF MUSIC

Luciano Berio's presence in London this month to conduct his opera, *Un re in ascolto*, at Covent Garden has supplied the Royal Academy of Music with the peg for the latest of its annual International Composer Festivals. Three full days of Berio at the RAM – lunchtime and evening concerts, ancillary events in between – on Wednesday night climaxed in the Duke's Hall with Berio's acceptance of the Academy's Honorary Membership, and then the RAM Symphony Orchestra performance of the *Sinfonia* (1968-69) under Odaline de la Martinez.

Berio's music can be relied upon to make a huge impact on students – this has long been the case, and, from the evidence of the "buzz" that has attended this little festival, and the wholly committed performance of the *Sinfonia* that closed it, remains so today. This particular work – in many ways a quintessential product of the 1960s, with its complex multi-layered, open-ended structure and vast collage of quotations (musical and literary) used as thematic reference-points – seems not to have dated in the slightest.

Mahler said of the symphony that it should create a "whole world." There is a whole world here: bewilderingly, exhilaratingly full of dramatic incident, gesture and colour, an experience that "adds up." The characteristic Berio combination of intellectual voyage and musical richness stimulates a special kind of ear-opening.

The RAM account of the *Sinfonia* caught the unifying sense of vitality that animates its many strands of voices and instruments, words and notes. The eight student singers who took the parts originally assigned to the Swingle Singers were amazingly authoritative in their several languages and vocal styles; this alone was evidence of the thorough preparation that underlay the whole performance. If anything, it was at times too insistently forthright and vigorous: the reverberant acoustics of the hall forced the players to limit the range of dynamics and, with it, the creative ambiguities that inform and enrich Berio's vision. But in spite of this it was an impressive and substantial achievement, as was the whole festival.

Max Loppert

ARTS GUIDE

February 17-23

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited London production of Luciano Berio's *Un re in ascolto* is one of the Royal Opera's greatest triumphs in recent times, a dazzling kaleidoscope of sounds, themes, and dramatic visions brilliantly staged by Graham Vick. Stephen Harrap takes over as conductor, and the superb cast includes Donald McIntyre and Robert Tear.

English National Opera, Coliseum, the first-ever Coliseum *Falstaff* is by the "home-team" of Mark Elder (conductor) and David Pountney (producer). Benjamin Luxon takes Verdi's title role, and the cast also includes Malcolm Donnelly, Janice Cairns, and Anne Collins. Further performances of Bizet's uneven but lovably fresh and tuneful *Pearl Fishers*, with Cathryn Pope Arthur Davies, and Alan Opie; final ones of Aribert Reimann's dry, noisily violent Shakespeare adaptation, Lear, with Monte Jaffe in the title role at the head of a uniformly impressive cast.

Royal Opera House, Sadler's Wells Royal Ballet presents David Bintley's new *Hobson's Choice*.

Sadler's Wells Theatre, The adventurous Ballet Gulbenkian from Portugal arrives at Sadler's Wells for a season which began on Feb 14.

Paris

Théâtre des Champs Elysées. *La Sonnambula*, a new production in co-operation between the Théâtre des Champs Elysées, Welsh National Opera, Grand Théâtre de Nancy and Théâtre de Lausanne. (47203687).

Opéra. *Die Meistersinger Von Nürnberg* alternates with the *Spectacle de Ballets* choreographed by Balanchine, Massine and Twyla Tharp to music by Hindemith, Tchaikovsky, Haydn and Bach, respectively (47425371, information in three languages 47425750).

Vienna

Staatsoper. In repertory: *Otello* conducted by Adam Fischer, with Katia Ricciarelli, Margareta Hintermeier, Peter Koves. *Die Verkaufte Braut* conducted by Jiri Kout. Cast includes Anna Gonda, Heinz Zednik, Peter Seiffert. *Der Freischütz* conducted by Hans Wallat, with Gunnel Bohman, Eva Lind, Hans Helm. *Il Barbiere di Siviglia* conducted by Ion Marin, with Douglas Ahlstedt, Carolos Chausson, Goran Simic. *Manon Lescaut* conducted by Silvio Varviso, with Mara Zampieri, Gabriele Sima, Kurt Rydl, Richard Burke.(51444, ext. 2660).

Berlin

Opera. *Der Liebestrank* is revived with a star cast led by Lucia Aliberti, Richard Leech, Ingvar Wixell and Roland Opanerai. *Turandot* in Götz Friedrich's production with Glamma Dale-making her debut as Liu, Linda Kelm in the title role, Corneliu Margu (Kalaf) and Martti Talvela (Timur). *Lady Macbeth von Mzensk* returns with Karan Armstrong, Kathryn Montgomery-Meissner, Ute Walther and David Griffith. *Notre-Dame de Paris* has wonderful Roland Petit choreography.

Hamburg

Opera. *Ariadne auf Naxos* has a first-rate cast including Hellen Kwon, Anna Tomowa-Sintow, Klaus Koenig and Dieter Weller. *Die verkaufte Braut* is a well-done repertoire performance with Joanna Borowska, Hans-Otto Klose, Elisabeth Steiner and Kurt Moll. Also in repertory: Jean-Pierre Ponnelle's wholly delightful production of *Don Carlos* with Sharon Sweet as Elisabeth, Dunja Vejzovic as Eboli, Giuliano Cianella in the title role and Mario Di Marco as Posa.

Cologne

Opera. *Lohengrin* has fine interpretations by Nadine Secunde, Eva Randova, Ekkehard Wlaschiha, Eberhard Buechner and Kurt Moll. *Die Fledermaus* features Josef Protschka, Gabriele Fontana, Daphne Evangelatos and is conducted by Georg Fischer.

Frankfurt

Opera. The two Lievi brothers had a most successful opera debut with *Titus*, which opened last week. Cesare Lievi's production and Daniele Lievi's sets supported the wonderful singing of Keith Lewis in the title role, Helena Doese as Vitellia, Pia-Marie Nielsson as Servilia, Alicia Nafe as Sesto, Man Gregory Jurisich as Publio and conducted by the musical director Gary Bertini. *Otello* with Clarry Batha, William Cochran, Heinz Meyen and Manfred Schenk. *Fidelio* features Luana Delvol, Herman Winkler, Wolfgang Probst, Susan Roberts and Manfred Schenk.

Stuttgart

Opera. *Otello* brings Gabriela Benackova-Cap, Amedeoz Amborn and Carmen Mammoser together. *Die Entführung aus dem Serail* has Tomoko Nakamura, Janice Hall, Yasuko Kozaki and Ruediger Wohlers. *Onegin*, choreographed by the late John Cranko, and *Dornröschen* by Marcia Haydee round off the week.

Amsterdam

Muziektheater. The Netherlands Opera production of Berlioz' *La Damnation de Faust* is directed by Harry Kupfer. Hartmut Haenchen conducts the Rotterdam Philharmonic, with Hedwig Fassbender as Marguerite, Jean-Philippe Lafont as Mephistopheles, Barry McCauley as Faust (Sun matinee, Tue).

National Ballet presents the world premiere of a new ballet by Maguy Marin, *Corps* (Van Manen/Berg), and *No-Man's-Land* (Van Dantzig/Smit) (Mon, Wed, Thur) (255 455).

Rome

Teatro del l'Opera. Francesca Zambello's neo-classical production of Cimarosa's *Gli Orazi ei Curiazi* with scenery and costumes inspired by the painter David. Alan Curtis conducts a young cast which includes Anna Caterina Antonacci and Gianna Rolandi as the ill-starred lovers (Sat) and the first performance of a new opera, *Charlotte Corday* by the young Torinese composer, Lorenzo Ferrero (Tues, Thur). The cast includes Elena Mauti Nunziata, Roberto Scandiuzzi and Antonio Salvadori; conductor is by Roberto Abbado. (46.17.55)

Milan

Teatro alla Scala. A revival of Piero Faggioni's 1974production of Puccini's *Tosca*, with scenery and costumes by Nicola Benois. Ghena Dimitrova and Maria Guleghina alternate in the title role. Conducted by Tiziano Severini (Fri, Sat, Sun) (86.91.26).

Naples

Teatro San Carlo. Umberto Giordano's *Fedora* conducted by Pierluigi Urbini, with Fiorenza Cossotto, Lucietta Bizzi and Nunzio Todisco (Sat, Tues). Puccini's *Madame Butterfly* in Mauro Bolognini's production, with Olivia Stapp (alternating with Elena Mauti Nunziata) and Eleonora Jankovitch, conducted by Bruno Moretti (Sun) (79.72.412).

New York

Metropolitan Opera House, Lincoln Center. Eva Marton has the title role in the premiere of *Salome*, directed by Nikolaus Lehnhoff and conducted by Marek Janowski, with Helga Dernesch as Herodias and Neil Rosenshein as Narraboth. David Stivender conducts *Idomeneo* with Carol Vaness as Elettra, Frederica von Stade as Idamante and Siegfried Jerusalem in the title role. In the last performances of *Bluebeard's Castle*, Jessye Norman sings Judith opposite Samuel Ramey in the title role. James Levine conducts, along with the monodrama *Erwartung* where Jessye Norman sings the Woman.

New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season continues with 26 works by George Balanchine, nine by Jerome Robbins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26. (496 0600).

Washington

Washington Ballet, Lisner Auditorium. Performances of *Birds of Paradise*, *Apollo* and *A Night at the Ballet* (Thur) (432 0200).

Chicago

Chicago Repertory Dance Ensemble, Civic Theatre. Author Flannery O'Connor, raucous parties and bad dreams are among the inspirations of this popular local dance group whose members choreograph their own works. (902 1500).

Tokyo

Tokyo Philharmonic Orchestra plays *La Forza del Destino*, performed in Italian by an all-Japanese cast. Nikikai Opera, conducted by Michiyoshi Inoue. Tokyo Bunka Kaikan (Tues, Wed) (370 6441).

SALEROOM

Record for very rare doll

Sotheby's was among the records yesterday when a very rare Kämmer and Reinhardt Bisque Character doll, made in Germany around 1909 and one of only ten known to have survived, sold for £90,200 to the French dealer Madame Merny, who is planning to open a Museum of Childhood in Paris. The previous best for a doll was £67,100. There was keen bidding in the room for this 21 inch high blue-eyed blonde wearing a white nightdress.

Earlier Sotheby's established another auction record when a tinplate clockwork ship, made by Marklin in Germany around 1904, sold for £93,500. The "Maine" was in excellent condition and far exceeded its £15,000 top estimate; it was the highlight of a morning session of toys and textiles which brought in £289,294, with 11 per cent unsold.

The ship probably returned to Germany as did another battleship, a steam spirit-fired model but with some replacements, made by Bing around 1907, and selling yesterday for £14,850. Another German artifact, a polyphon disc musical box of around 1900, with 42 discs, realised £6,380, as did a similar, with just twenty original recordings.

Happy vendors were a Birmingham couple who bought a house and discovered trunkfuls of pristine clothes from the 1920s and 1930s in the uncleared attic. The collection sold for £24,904, with a top price of £3,080 for a gold and silver lamé evening gown made by Vionnet around 1922. The unexpected bonus will pay for plugging a leak in the roof.

One major disappointment was the £300 which captured a peasant dress costume, designed by Michail Larionov around 1921 for Diaghilev's ballet *Chout*; it carried a top estimate of £1,800. The only explanation for its cheapness was that buyers were dazzled by the reputation of Leon Bakst – the proceding lot, a harem costume for *Schéhérazade*, catalogued "after Bakst," doubled its estimate at £1,320.

Phillips also created records. It was holding the best auction of illustrated postal envelopes for over 30 years and soon equalled the previous high for a pictorial cover when an anticlerical scene of 1840, showing clergy and judges enjoying a punch up, sold for £8,250. The same sum secured a rare cover illustrated by Peter Hunter in 1843, which carried an upper estimate of just £2,000.

Antony Thorncroft

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000

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Public pay dilemmas

THE THATCHER Government has reformed the trade unions, abolished controls throughout the economy and privatised giant utilities. But it still lacks a convincing formula for determining the pay of its own employees. Comparability exercises are out of fashion, but the pay review bodies continue to make assessments, just as they did in the 1970s.

Overall, yesterday's awards were in line with expectations. Yet they will do little to ease chronic recruitment and retention problems in large parts of the public sector. Nor will they satisfy critics who argue that restraints on public expenditure, coupled with the revival of private enterprise, are gradually draining talent from the Civil Service, the armed forces and professions such as teaching and nursing. Young people who would once have jumped at these careers are increasingly chasing the larger monetary awards available in financial services and other buoyant sectors. Such trends are further exacerbated by the sharp decline in numbers of young workers.

A natural response is that some shift of talent out of the public sector was long overdue. It is a good thing that senior Oxbridge tutors no longer regard academic life or the Diplomatic Service as the most appropriate destinations for their brightest students. But once a pendulum begins to swing it can be hard to control. The public sector lacks the prestige it once enjoyed and will have to fight hard for a fair share of the available talent.

Market barons

This is especially true towards the lower end of the salary scales. The new barons of the labour market are clearing banks and building societies: the pay and conditions they offer moderately qualified young people in London and the south-east now set the pace for settlements in other industries and - ultimately - in the public sector. The Civil Service is losing staff at twice the rate it did in the early 1980s. This does not suggest that the state has yet become a competitive employer.

One reason is that ministers are still fighting the battles of the 1970s. Public expenditure control is largely a matter of controlling public sector pay. In an era of high public borrowing, accelerating inflation and militant public sector trade unions, the importance of holding the line on public sector pay could hardly be exaggerated. Today, the situation is rather different. Public expenditure is falling as a share of gross domestic product and the Government is running a large budget surplus. Inflation has risen slightly, but it does not present a threat of 1970s proportions and is anyway being tackled through tighter monetary policy.

Employee calibre

The challenge for the public sector in 1989 is not to curb pay per se but rather to ensure that it can attract the calibre of employee needed to make a success of its ambitious social reforms, most notably in education and health. Mr Kenneth Baker, the Education Secretary, wants greatly to improve the quality of compulsory school education. He also wants many more teenagers to attend universities and polytechnics. On Wednesday he called for a large expansion of education for 16-18 year olds. At the Health Department, Mr Kenneth Clarke is pushing through far-reaching reforms that are likely to raise the demand for expensive health care and put upward pressure on the salaries of doctors and nurses.

It is naive to believe that the quality and availability of publicly provided social services can be greatly improved without a corresponding rise in the relative pay of groups such as teachers, nurses and doctors. A more positive attitude towards recruitment in the public sector will be required if the Government is to achieve the objectives it has set itself. Increased efforts to reward individual performance and to respect regional variations in living costs are clearly an essential part of the equation. But ministers should also recognise that any future deterioration in the relative pay of public sector employees will be likely to undermine rather than advance their policies.

Hungary's leap in the dark

MIKHAIL GORBACHEV has made it safe in parts of Eastern Europe, as well as in the Soviet Union, to think the unthinkable and to think it aloud. Thus, some of the monopolistic Communist parties of the region are examining their records as administrators and beginning to admit that neither their performance nor the system is much to boast about.

But the Soviet leader does not exactly make it easy for others to follow. The promised and actual reforms carried out in the names of glasnost and perestroika and the Soviet Union's own contested elections next month might have seemed at least a working model for pluralism elsewhere. Yet on Wednesday night Mr Gorbachev was suddenly reported to be pronouncing that a multi-party system in the Soviet Union would be "politically and theoretically unsound."

If that struck a discord anywhere in Eastern Europe, it surely must have been in Budapest. Hungary may not have ethnic and religious problems on a Soviet scale, but only last weekend the central committee of its Communist Party abruptly decided to dismantle its political monopoly and introduce a multi-party system in time for elections next year.

Courageous step

In several respects this was a courageous and sensible step with important implications for the rest of the Eastern bloc. It is courageous because the present party leaders, though they have insufficient popular support to underwrite real power, hold all its instruments and have no guarantee that in freely contested elections they could win them back. It is sensible because the market in political allegiances is susceptible to the forces that apply in any other trading arena. Far better to let the competition, now existing in Hungary mostly as factions and interest groups, operate openly so as to enable its extent and depth to be measured.

The difficulty for the Hungarian party is that the flowering of an opposition now, however loyal, could put a brake on the plans for economic reform. This programme is bound to bring job losses, higher prices and social discontent before reaping any rewards. The party leadership knows that if it is to achieve the necessary economic changes, it must come to terms with possible dissent.

Economic medicine

But the party also knows that if the Hungarian people are to swallow an unpleasant economic medicine, they must be persuaded to take it. That is why it now feels obliged to forge a coalition of interest with popular political groups, much as the Polish regime is doing by negotiating with the Solidarity trade union.

As the Polish experience shows, the process of political accommodation must be conducted with subtlety and from a position of strength. The danger is that the Hungarian party, fractious and unprepared as it is for competitive democratic politics, has taken a leap in the dark which, with hindsight, may come to look foolhardy. The hurried decision to introduce a multi-party system, taken in advance of agreement on a new constitutional framework, appears spurred more by a desire to stitch up an appearance of party unity than by any real consensus on the future political system.

The confusion may be inevitable while political reform is being drafted in such vague terms and with such little attention to detail. There is no apparent agreement on the ground rules by which the new parties are to organise, finance their activities, or campaign, nor on the role – "leading" or otherwise – to be played by the Communist Party itself.

But the undertaking of such a momentous step with so little apparent planning may also denote recklessness or desperation. The liberation of East European politics from the straitjacket of the Communist Party monopoly is very welcome and the Hungarian Communists are to be commended for taking the first step. But, as Mr Gorbachev's latest pronouncement implies, reform of socialist systems can have limits. Hungary is about to find out where they are – and the rest of Eastern Europe will be watching with interest.

John Elliott examines Hong Kong's anxieties over the return to China

Ji Pengfei: chairman of the drafting committee for Hong Kong's Basic Law

Learning to live with big brother

Continuity, stability, prosperity – and uncertainty. These are the issues in Hong Kong as the colony looks to 1997 when China will regain sovereignty, so ending 150 years of undemocratic, but mostly stable, British rule.

The primary aim of Hong Kong's business-dominated 5.6m population is to keep China out of their affairs after 1997. They want to remain free to pursue their prosperity in one of the world's most buoyant economies. Democracy, traditionally a primary target for colonies, is of less immediate concern to Hong Kong's people many of whom are refugees from the tyranny and economic misery of Peking's earlier political regimes.

"People are afraid of 1997 and the Communist way of doing things," says Mr Louis Cha, owner of Hong Kong's Ming Pao newspaper group and an important political figure. "But co-operation with Peking is more important than confrontation. The way to keep China out is by being useful to Peking. We can't keep them out by force or any democratic structure."

"I was educated in Australia. I understand democracy and want it for Hong Kong," says Mr Vincent Lo, at 40 one of Hong Kong's most successful, sometimes controversial, and politically influential second-generation entrepreneurs. "But I don't want democracy for its own sake. I want it for the stability and prosperity of Hong Kong." As he talks, Mr Lo is sitting in his stylish harbour-front Shui On Centre, an office development that has has rocketed in value from HK$600m (£44m) to HK$2.5bn or more in two years. "I think that if we remain prosperous and do not go for too much political confrontation, China will stay out."

In a minority, but with vocal support from students and some professional people, there is an active liberal lobby which rejects such arguments. Led by Mr Martin Lee, a prominent lawyer and member of the colony's Legislative Council, it believes that democracy through early universal suffrage is the only real protection against China.

These strongly contrasting views will come into sharp focus in the next few days when Peking publishes the second draft of the Basic Law which will govern what is to be called the Special Administrative Region (SAR) of Hong Kong from July 1 1997.

The draft was presented to a standing committee of the National People's Congress in Peking on Wednesday and is expected to be approved by a plenary session of the committee early next week; it is likely to be published on Thursday.

The draft will be widely condemned because it makes such slow, hesitating progress towards democracy and universal suffrage that the stability wanted by conservative businessmen could be upset by liberal protests. This could lead to destabilising overreactions by Peking officials, who have shown little patience with Mr Martin Lee's followers when they staged hunger strikes and burned copies of the Basic Law's first draft.

However, Peking appears to recognise that the new draft is not adequate, although no one can predict how far it is prepared to move during a second five-month round of consultation that starts next week.

Mr Ji Pengfei, chairman of the law's drafting committee and director of Peking's Hong Kong and Macau Affairs Office, is reported to have told the committee on Wednesday that it was "necessary to listen to different views and seek compromise before making necessary amendments and adjustment." He said the future political structure would aim at maintaining stability and prosperity while promoting the development of a capitalist economy and gradually improving the democratic system.

However, Mr Ji's office is regarded as being on the liberal wing of Peking politics. A harder line is often heard from Xinhua, the New China News Agency, whose office in Hong Kong is China's de facto embassy.

Nevertheless, Peking wants a stable Hong Kong and must also want to quieten the fears that induced 45,800 people to leave last year for Canada, Australia, the US and other countries. This brain drain could turn into a torrent if the tens of thousands who already have foreign passports decide the prospect of 1997 is intolerable.

The Basic Law debate hinges around when universal suffrage should be introduced for the election of the SAR's new legislative council and of the chief executive who will take over from the British governor.

In the final drafting session of the new version last month, conservative Hong Kong businessmen lost patience with their liberal opponents and backed stiffer clauses so that universal suffrage would not be introduced till 2011-2012 at the earliest, and then only subject to a Peking-controlled referendum.

That went too far for most interest groups, including leading Peking drafters, and there is now talk of compromises. These could bring the date back to 2007, possibly without a referendum or at least without a referendum that Peking controls.

In other areas Hong Kong is broadly happy with what are regarded as substantial changes by Peking on issues such as the SAR's legal jurisdiction and autonomy. Here, subject to some clarifications, it has been established that Hong Kong will interpret its own laws and will not be affected by China's legislation apart from a short list of matters such as the country's capital and national day.

China's ability to block laws has also been cut back to matters such as defence and foreign affairs, and its right to interpret legislation has been significantly reduced, although the crucial question of the composition and place of the final court of appeal has yet to be settled. International human rights covenants have been included, though some lawyers want the wording improved. Peking has also accepted that the legislative council elected in Hong Kong in 1995 will continue through to 1999, so strengthening continuity.

But the UK government has told Peking that it will be breaching its "autonomy" pledge if it does not remove to an advisory appendix two clauses which aim to force the future government to "balance its expenditure and revenues and avoid deficits."

The fear widely held in Hong Kong, however, is that, somehow or other, China will eventually contrive to stop democracy ever happening and that it will slowly eat away at its commitment in the Sino-British Joint Declaration of 1984 that the new SAR will have "a substantial degree of autonomy" and at its policy of having "one country, two systems."

The UK is proud of having wrung what support there is for autonomy and capitalism out of Peking. But it is widely condemned for not having introduced democratic elections earlier in its 150 years of rule. In particular it is criticised for a white paper published just over a year ago which delayed the gradual introduction of direct elections for the colony's current legislative council from last year to 1991.

The UK's tactics are likely to be reviewed when Sir David Wilson, Hong Kong's Governor, meets Mrs Margaret Thatcher in Downing Street next week. They will also be examined in an inquiry by the House of Commons Foreign Affairs Committee which is planning to hold public hearings in the colony in April.

Top civil servants in the colony draw a distinction between the UK's freedom to innovate in Hong Kong, which is being returned to China, and in other colonies which have acquired independence. "We are not moving towards independence, and rapid moves towards a one-man one-vote system would not be popular here. That is difficult for many Westerners to understand, but is a fact of life," says Sir David Ford, the colony's Chief Secretary.

"Government by consensus has served Hong Kong people well. In dealing with the thorny question of the speed of political reform, we believe we must try to find a common ground and not simply impose preconceived notions of what is right for the people of Hong Kong."

Officials have for years been acutely conscious of their limited freedom of action. The unavoidable, and at times threatening, presence of China – on which Hong Kong relies for more than half its water amongst other things – has always been an inhibiting factor.

Economically the relationship is now a constructive one. Hong Kong companies use easily available land and cheap labour in the southern Chinese province of Guangdong to do internationally competitive labour-intensive work. A Chinese official said this week that more than 4m Guangdong workers are now producing goods for Hong Kong companies.

But there is a perpetual government fear in the colony of any innovation which might stir emotions and spark riots. "This is a very volatile community with people who over-react very easily," says one experienced official. "People live in tiny flats and devote their cramped lives to working hard and making money. They live on their nerves."

Consequently Hong Kong is a tightly policed territory. Memories of earlier riots by taxi drivers, harbour ferry passengers, and bank customers, curtail officials' freedom of manoeuvre on a wide range of policies – including, for example in recent months, the timing and size of increases in taxi and underground railway fares.

The government also refuses to import labour, despite serious shortages of workers, for fear that the migrants could cause social unrest. Similarly, one of the reasons for not ending the link that pegs Hong Kong's currency to the US dollar is that it cushions the local dollar from pressure – and from possibly violent, runs on banks and the stock market – if confidence slumps between now and 1997.

These issues partly illustrate why the government is for its own reasons loath to release the possibly disruptive force of full universal franchise into such a fragile community. There is also a fear – which colours the 1997 universal suffrage debate as well – that the introduction of direct elections would force the Chinese Communist Party, backed by the 200,000-strong Hong Kong Federation of Trade Unions, into active politics. That, it has sometimes been feared, could lead to confrontation with the pro-Taiwan and anti-Peking faction.

In 1991, Hong Kong will have its first direct elections when voting takes place on a geographical basis for 10 of the otherwise appointed or indirectly elected 55-member Legislative Council (Legco). This is leading to the formation of Legco's first political party by Mr Stephen Cheong, a businessman and the council's second most senior member. Mr Cheong argues that parties are necessary to rationalise relationships between the council and the executive, although there are no obvious policy splits in the council at present on any issue apart from the conservative-liberal debate on democracy.

"You need parties to pull people together," says Mr Cheong, who has raised HK$ 10m in businessmen's donations to launch his party in the coming months. His move is likely to spark formation of a liberals' party, and may activate the Communists.

How these parties – and the Basic Law debates – develop in the next few months will have a big impact on the domestic and international confidence on which Hong Kong's continuing prosperity depends. "If we were an island 250 miles away from China, we could tell Peking we want independence," says one prominent political figure. "But we are not. We are part of the mainland and we must learn to live with that."

OBSERVER

Our man in Tehran

■ Nicholas Browne, the British chargé d'affaires who along with his staff is being given a hard time in Tehran, at least knows something about the place. Now 41, he joined the Foreign Office in 1969 and after a spell working on South America was picked to learn Persian, first at the School of Oriental and African Studies in London, then in Isfahan. Browne was third then second secretary in the Tehran Embassy from 1971-74.

He worked at the Cabinet Office, specialising in Iran, during the turmoil of the late 1970s and was chosen by the Foreign Secretary to write a Foreign Office paper on the lessons of the Iranian Revolution.

When Lord Carrington, as Foreign Secretary, reached the Rhodesian settlement, he sent Browne off to help Lord Soames as Governor of the country in the transition to an independent Zimbabwe. Browne stayed on as Head of Chancery in the newly established High Commission.

More recently he was responsible for environment policy at the British mission to the European Community. There he came to know William Waldegrave, then a young Environment Minister, and now at the Foreign Office looking after the Middle East.

Ridley's rise

■ It was brave – one might almost have said foolhardy – of Conservative Central Office to put up Nicholas Ridley, the Environment Secretary, to do a full frontal party political broadcast on Wednesday. In fact, he pulled it off with great aplomb, explaining both the costs and benefits of environmental policy.

I used to think that he was only an outside runner for the succession to the Chancellorship, if only on the grounds that the Prime Minister would prefer to bring on someone younger. Given that the other candidates have not been covering themselves in glory of late, he must now be a front runner. Ridley is 60 today.

Credit limit

■ Citicorp's Tokyo subsidiary has launched what must be the ultimate credit card in association with Nihonbashi, a department store in the city.

The card is issued to wealthy Japanese who go with it to Nihonbashi's seventh floor, there to watch brochures and video films of real estate in California and Hawaii. Should any of the properties appeal to them, they can sign up for an individual showing. If a deal is clinched, the purchaser can charge his or her new home to a Citicorp plastic card. The credit limit is $500,000.

Toy trains

■ A pleasant lunchtime spent at the Model Railway Club, near King's Cross. It is far from true that toy trains are out, though you are not supposed to call them that. "Partly," said one enthusiast, "it's the great British nostalgia." But it seems to be a bit more than that. All sorts of people – dentists, barristers, businessmen – gather to assemble new model tracks, rolling stock and landscapes down to the minutest detail. There is a model of the lines going out of King's Cross, known as Copenhagen Fields, that has taken five years to build so far and will take at least another five to complete. Another man said that on his retirement he had started building a model railway in his garden and had his friends in to play with it at the weekends.

"I forget – was 1,998,000 unemployment psychologically uplifting in 1981?"

This year's International Model Railway Exhibition – the biggest in the world - will be held at the Royal Horticultural Society's Halls in Westminster over the Easter holidays, and opened by the Reverend W. Awdry, author of the Thomas the Tank Engine books. British Rail's Network SouthEast is a sponsor. After all, it has an interest in getting a sympathetic hearing for a real line that might be built through Kent.

Paris fireman

■ Christian Blanc's new appointment seems unlikely to be much more restful than his last. Blanc was the man sent to negotiate a ceasefire in France's south Pacific colony of New Caledonia. He is about to become the new head of Paris's public transport authority, the RATP.

A professional civil servant, but also a Socialist Party member of long standing, Blanc has been nominated to the RATP's board in place of its current chairman Paul Reverdy, who has been at odds for some months with the Transport Minister, Michel Delebarre. He is expected to be named chairman by the Council of Ministers in the next few weeks.

Blanc worked closely with the veteran Socialist, Edgard Pisani, first at the European Commission and then in New Caledonia in 1984-85. He went back to the island territory last May, just after the re-election of President Mitterrand and the resignation of the government of Jacques Chirac, at the head of a special mission aimed at calming the open warfare between the indigenous Kanak population and the "Caldoches" of European origin.

He succeeded beyond all expectations, bringing about the Matignon agreement, which laid the foundations for a ten-year devolution experiment, to be followed by a vote for or against autonomy.

The 46-year-old Blanc's negotiating skills will be put to the test at the RATP, whose 39,000 employees bring it to a strike-bound standstill on average every two years, usually in midwinter.

Afro-Irish

■ Following the note the other day about a Palestinian trader in Jerusalem telling a British tourist that the Irish are better than the English, a reader in Sussex reports a similar experience in South Africa 30 years ago. Dressed in typical South African kit, he stopped in a village in Natal. A Zulu eyed him intently and said: "You are not South African, are you?" On being told that he was Irish, the Zulu insisted on shaking his hand. "The Irish are the Zulus of England," he exclaimed.

Let's do it

■ Sign at a recent international conference: "Translators do it simultaneously."

British Tories would wake up sweating in the night if the opposition parties came together under one label. A few more polls like yesterday's Gallup would do it.

The poll's really interesting suggestion was not that support for the Government had fallen by a couple of percentage points in one month, but rather that support for the centre parties – the former Alliance – had fallen much more sharply, while support for Labour shot up. The net result was to narrow the gap between Conservatives and Labour to a statistically insignificant 1½ points.

Of course you should never take one poll result to mean anything in particular. There were similar flurries in April and June last year. These were presumably brought about by the absurd antics of the centrist politicians as they broke what once seemed to be the most promising force in British politics into competing fragments. This year could, in theory, be different. Mr Neil Kinnock, the Labour leader, is steadily divesting his party of the policies that drove so many middle-class Labour supporters out to the Alliance. He is now hoping to drop unilateral nuclear disarmament. If he publicly severed the constitutional connection between the party and the trade unions, and risked his own job in order to bring that about, Conservatives might be sitting bolt upright in their beds. The reason that they all still sleep so soundly is that they find it difficult to believe in the aeronautical potential of pigs.

* * *

In the real world some of Britain's pressure-groups and lobbyists are adjusting to life in a one-party state. For there is seldom much point in arguing with Mrs Margaret Thatcher and her ministers. They steamroller their plans through anyway. They put through the poll tax. They are encouraging schools to become self-governing. They are still trying to privatise the water supply even though there is widespread public disquiet about the whole plan. (Some members of the Cabinet are wondering whether it would be better to accept a technical knock-out from the European Commission, which would mean that the Government could go ahead with the water bill but hold back on the stock-market launch.) In short, the Thatcherites are a stubborn bunch, and, despite yesterday's Gallup result, the sensible assumption is that they will win the next general election.

That leaves only two practical options for campaigners. They can work and pray for the day when the Government falls. If life seems too short for that, they can try to improve whatever the Tories do, by meeting them on their own ground.

The latter approach has been adopted by some surprising people. One is Ms Sue Slipman, a formerly Communist president of the National Union of Students who crossed over to the Social Democrats. She is now Director of the National Council for One-Parent Families. Another is Mr Frank Field, former Director of the Child Poverty Action Group and now Labour MP for Birkenhead and chairman of the House of Commons Social Services Committee. Both of them are regarded with respect in No 10 Downing Street; both are the kind of people who would bring middle-of-the-road voters back to Labour in droves if the party had the intelligence to place them in the forefront of its shop window.

POLITICS TODAY

Rolling with the Tory punches

By Joe Rogaly

Ms Slipman believes that talking to the Government in its own language is the only – she stresses only – way to bring about improvements in the provisions for one-parent families, which it is her business to do. This may be no more than common sense, but it is remarkable to those of us who can remember the heated passions of the 1960s and 1970s, decades in which politics meant confrontation and the frequent utterance of words like "unacceptable" and "never".

Few contemporary social phenomena are more susceptible to ideological theorising than the sudden arrival of an army of single-parent families. Easy divorce and a change in social attitudes towards birth out of wedlock have led to an explosive growth in the numbers of lone parents in most Western countries. There are now 1m-plus such families in Britain. In the US the New Right has a library-full of learned papers on the subject. For example, they argue about whether it is good for never-married, usually black, mothers to receive welfare cheques, or better for them to be obliged to take jobs, probably as waitresses or cleaners.

The Heritage Foundation, a powerful centre of New Right thinking, has just published a wish-list of actions it thinks President Bush's new administration should take. It wants welfare payments withdrawn from teenage mothers who leave the family home; its rationale is that the extended family will provide child care while the errant teenager goes out to work.

Britain's Thatcherite think-tanks derive much of their inspiration from US conservatives. Some still worry at the growth in the number of births to young unmarried girls who, anecdotal evidence suggests, get pregnant in order to be able to leave home for a council flat and a guaranteed weekly payment of income support. The whole question of child care, single parenthood, and homelessness (all parts of the same puzzle) is being studied by the Prime Minister's advisers. Should the harder-edged Heritage Foundation policies be applied here?

The Slipman response is to start with the welfare system as reformed by the Government and argue for various improvements. Some of what she says might receive a sympathetic hearing from Mr John Moore, the Secretary for Social Security. He had a poor 1988, but is back in good health, relaxed and even taking holidays. He did make the pilgrimage to the US after responsibility for health was taken from him last year, but it would be surprising if he adopted a wholly uncompromising New Right stance on one-parent families. He is aware that not much more than a fifth of Britain's single parents are classed as "never married"; it is not quite clear how many of those are technically single but actually living as a couple. Most lone parents have lost their partners through divorce, separation, or death. The obsession of some policy advisers with teenage mothers in council flats does not fit the facts.

Again, it is thought by Mr Moore to be impossible to persuade Conservatives as a whole to accept a policy that would oblige mothers of children under five to go out to work; nor would he wish to do so. It was the supposedly flint-faced Thatcherites who introduced a child-care allowance of £50 for single parents who undertake employment training; it is the National Council for One-Parent Families that has pressed for the £50 to be made more accessible to parents of children under school age. Mr Moore would have the state chase errant fathers for maintenance payments; Ms Slipman would not demur.

The Government is aware that there is already a growing need for working-age women, mothers included, to join the workforce. This is the result of the fall in the number of new entrants to the jobs market as the post baby-boom generation leaves the schools. The market is responding, as can be seen from the strenuous efforts being made by clearing banks and department stores to accommodate them. The provision of a company-subsidised crèche is coming to be seen as a sign of intelligent personnel management.

This is an opportunity for the Department of Social Security. It is preparing papers on how to make going out to work more attractive for single parents. Additions could be made to family credit payments for those in work. Extra earnings from, say, part-time work could be "disregarded" in calculating income support (welfare) payments from the state. These approaches would more surely reach the poorest candidates than would President Bush's formula of tax relief for child care. It is not possible to say what Mr Moore will win Treasury approval for, but a policy paper is likely to emerge during the summer.

The Department of the Environment might contribute a tough-sounding paragraph or two to such a paper. One possibility, canvassed by some advisers, is that the link between getting pregnant and being allocated a council flat might be broken. This sounds like the Heritage Foundation at work, but then the transatlantic ideological cables are still humming. I suspect that Mr Moore would appreciate the intention, which would be to remove a perverse incentive to inner-city teenagers to have children in order to gain accommodation. Even so, the Department of Social Security would doubtless find itself having to make *some* provision, perhaps in hostels, for the worst cases.

The challenge for Labour remains the same. Its own public-housing estate supporters are often outraged at the idea of "queue-jumping" by pregnant teenagers in search of a new flat. A simple pre-Thatcherite fulmination against the Tories for cutting the link might not win the political argument. A throw-money-at-it solution might be equally unpopular. Yet a study of the details of existing and proposed policies shows many areas in which Labour could offer a more "caring" package than the Conservatives are ever likely to.

Mr Field understands this kind of thinking. When he helped launch "Full Employment UK" on Wednesday he pointed out that if the Government did not improve its existing employment and training policies in the basically sensible manner suggested, the Labour Opposition would have an excellent case to put before the voters. "Full Employment UK" accepts a form of what Americans call "workfare" in return for a state acceptance of a goal of full employment.

The Labour Left would presumably call this kind of approach a sell-out. Those who want to win might see it as rolling with the punches. When you do that, it is often your opponent who is floored by a loss of balance.

LOMBARD

An export bank for Britain

By Peter Montagnon

THE HUGE losses revealed by the Export Credits Guarantee Department (ECGD) in its latest accounts could hardly have come at a better time.

They provide an extra excuse for winding up the department in its present form – a task which is becoming imperative, though for reasons entirely unrelated to the overhang of developing country debts which gave rise to the deficit in the first place.

Quite how official export credit agencies will fit into the single market of 1992 has yet to be established at European Community level, but it has belatedly dawned on the export credit insurance sector that 1992 could make the ECGD an anachronism.

Technically, there may be no such thing as a British export any more, only European exports. Under its present structure, the ECGD risks being unable either to live up to its charter obligation to support only British exports, or to expand those activities which are now profitable.

It needs to be reconstituted in a way which would both permit continuing support to UK industry, and allow its own skills – particularly in the short-term export credit insurance sector – to be fully exploited in a pan-European market.

As things now stand, 1992 could pose a serious impediment to the expansion of the ECGD's short-term insurance division, just as turnover is at last growing rapidly in answer to its new rapid response system for buyer credit insurance.

Most of the risk covered by this division is commercial rather than political, and much of its turnover derives from insuring exports destined for Europe.

As an arm of Government, the ECGD might well be barred – for competition reasons – from supporting UK sales to Europe after 1992.

It would certainly be prevented by its own charter from expanding into Europe and picking up new business there. Yet European private sector insurers are already eyeing the UK market in the light of 1992.

This is a compelling argument for separating off the ECGD's short-term insurance division and steering it as rapidly as possible towards private sector ownership. It would then be free to use its new, rapid response skills to compete for credit insurance business throughout the European Community.

Such a recommendation may yet emerge from the still incomplete internal report on the ECGD's future, now being compiled by Mr Bob Kemp, one of its former senior officials. But it leads on to another difficult question – the question of how to deal with the loss-making project insurance business, which deals mainly with the developing world and covers difficult political risks.

The problems of the project insurance business should, however, be seen as an opportunity rather than a calamity.

They open up the debate to one idea which is far too radical to be considered seriously in better times. This is to reconstitute the business into a long-term Export Bank which could freely exploit the capital markets without any explicit Government guarantee to raise cheap export finance.

Its structure could be modelled on Swedish Export Credit Corporation, which is under joint state and commercial bank ownership, and has managed to notch up sizeable earnings from its money market operations in recent years.

Some Government guarantees would, of course, remain necessary to provide further backing on credit to particularly difficult markets, but they could be used much more sparingly than at present, and the Government could expect some financial return from its holding in a profitable Export Bank.

Eventually the function of providing such guarantees might pass to Brussels anyway. It will be hard, after 1992, for EC member states to justify national guarantees available only to their own exporters.

With European arrangements in place, the UK Treasury would be happily out of the direct guarantee business altogether, but with an Export Bank in operation, Britain would still have a semi-private institution dedicated to the support of UK business.

LETTERS

NHS spending

From Mr Ian Thompson.

Sir, John Wells (Letters, February 11) disputes the Government's claims that greatly increased resources have been provided for the National Health Service since 1979. To do this he uses statistics "adjusted for inflation," where actual expenditures are deflated by a wage and price index specific to the NHS.

If he had used a general inflation index he would have revealed a much greater increase in real expenditure.

Between 1979 and 1987 the retail prices index increased by some 80 per cent (7.6 per cent a year), while NHS wages and prices apparently increased by 115 per cent (10 per cent a year). Data for 1988 are not available.

If John Wells's figures for NHS wages and prices are accurate, all they tell us is that the real output from the NHS has increased more slowly than the resources put in. They do not tell us that resource input has been restricted.

Ian Thompson,
15 Albany Court,
Hillcrest,
Weybridge, Surrey.

Clear water required

From the Chairman, Severn-Trent Water.

Sir, The last week has seen a number of "water" features in the Financial Times, some of which seem to me to be based on misconceptions.

Both your leader (February 11) and Mr Humphries' article (February 7) suggested that water privatisation would be better modelled on the statutory water companies, controlled by profit and dividend rather than by price.

Surely it must be obvious that this outdated method of control provides no protection to the customer in terms of price, and no incentive to the company to be efficient? It is a recipe for cost-plus pricing of the worst sort.

Mr Humphries goes to great lengths to argue that the Government is selling assets which were in some way the property of local authorities and their ratepayers. It is worth mentioning that in addition to taking on the assets and the responsibility for the services, the water authorities took on the relevant debts.

The late Harold MacMillan's much quoted statement about "selling off the family silver," referring to privatisation in general, failed to reflect the fact that selling off the family silver is a perfectly respectable thing to do if you use the proceeds either to pay off the family debt or to build on an extra bedroom to the family house.

The proposed regime for privatisation of the water industry is intended to ensure that the price to the customer can be seen to be justified, that the demands of the law and of increasing standards of service are properly met, and that necessary investment takes place.

For this to happen, it needs to be generally accepted that expenditures required for the achievement of ever higher standards have to be paid for, and that there are only two pockets from which funds can come: the customer's or the taxpayer's. In the case of water, both pockets are in the same pair of trousers.

J.G. Bellak,
Severn-Trent Water,
Abelson House,
2297 Coventry Road,
Sheldon, Birmingham.

Wildlife refuges at risk

From Mr S.R.J. Woodell.

Sir, Mr Roy Watts (Letters, February 11), extolling the advantages of water privatisation, states that new regulatory controls imposed on Thames Water plc will give greater protection to customers and environmentalists than they enjoy today.

Does this protection extend to the areas of land owned by Thames Water and other water authorities, in excess of their needs? Conservationists fear that privatisation will lead to sales of such land to the highest bidder, leading to eventual destruction or degradation of valuable wildlife refuges.

Can Mr Watts reassure us on this point, or are we to expect the maximum possible profit to be squeezed out of water companies' assets, for the benefit of shareholders and to the loss of the public at large?

S.R.J. Woodell
Wolfson College,
Oxford

'Transport planning decisions are so poor'

From Mr Gavin Smith.

Sir, Joe Rogaly's article on transport planning ("State planning fights back," February 10) started well, but lost its way. The real question is not whether the Government makes planning decisions, but why the decisions made are so poor.

It is clear to many of us that there are structural reasons for this. These include a lack of willingness to involve the consumers of transport services; an adversarial approach to labour relations; a fear of long-term decisions on the part of public agencies; and a lack of coherent national environmental and employment objectives.

Examples of the types of investment that flow from this decision-making context are:

- London Underground's installation of automatic ticket barriers coinciding with Newcastle Metro's removal of same (staff are the more efficient alternative);
- British Rail's reliance on excessive overtime working by signals staff prior to the Clapham rail disaster;
- The dismembering of the London red bus network;
- The undue haste of Channel Tunnel plans.

In each case decisions are being made to the best of the ability of the authorities concerned; in each case the outcome is wrong.

At the same time, other decisions are not being made. For example, there is no planning for the re-introduction of modern trams or trolley buses onto London's main radial roads.

The net result is:

- Poor industrial relations;
- Short-term book-balancing without long-term gain;
- Excessive "externalities" (for example, pollution);
- Unacceptable safety standards;
- Inadequate and unequal consumer services.

Not the least important is failure to achieve a political consensus. Until the structural defects of the government's decision-making context are faced, better investment decisions will not be forthcoming.

Gavin Smith,
Campaign to Improve London's Transport,
Research and Resources Unit,
99 Midland Road, NW1

Chunnel cri de coeur

From Mr Angus Dunn.

Sir, I suppose there is some justification for Mr Bill Parker (Letters, February 13) missing every single point in my letter (February 2); he is, after all, shooting from a distance of over 4,000 miles.

Whatever his aim, I would acknowledge that if 101 East 52nd Street in New York City lay within 600 yards of the threshold of the main runway at Kennedy airport (which would approximate, in terms of noise, what I would face if a particular high speed Chunnel rail route is chosen) he would have some *locus standi* in making his comments. But I don't think that is the case.

The value of my house has certainly increased as a result of the completion of the M25. It had also increased (until British Rail came along) as a result of being in a unique and unspoilt environment, which is increasingly rare. This was why I moved here 10 years ago. Its value has also undoubtedly benefited from the policies of Margaret Thatcher, from the repeal of the Corn Laws (1846) and from the Norman invasion (1066).

None of these seems to provide any justification for a third party to cause damage to me or, randomly, to thousands of others, without compensation, nor needlessly to despoil our environment. BR's announced plans will certainly do all of this.

I am convinced not only that BR's plans could be improved, but that they will be. Kent is as convinced as Mr Parker that improved communications between the UK and Europe are vital. But because it is our back yards which are under threat, we insist that the work be done well, and that those who suffer as a result be held harmless so far as possible.

When hurt, we all have a tendency to squeak. That may be reprehensible – but whatever it is called, it cannot be called "hypocrisy."

Angus Dunn,
Dower House,
Oxon Hoath,
Tonbridge, Kent.

FINANCIAL TIMES
Friday February 17 1989

US 'must avoid Nato clash with Bonn'

By Lionel Barber in Washington

THE US must avoid a showdown with the Bonn Government on introducing new short-range nuclear weapons in West Germany, in the interests of preserving Nato unity, a distinguished group of US defence experts said in a report yesterday.

The group – which includes former defence secretaries in the Nixon, Carter and Ford administrations – said astute Soviet diplomacy and the recent INF treaty had placed "unprecedented" strains on Nato. Modernising short-range nuclear missiles quickly or even at all "is less important than maintaining a common view of these matters in the Alliance," the group said.

Elsewhere in its report*, which has the endorsement of the new national security adviser, Mr Brent Scowcroft, the group calls for a greater role for France in Nato, with increased joint planning as well as preparation for "a logistic line of communication" for US and British reinforcements to land in the event of a Soviet attack.

The group's conclusions on short-range nuclear weapons tallies with Chancellor Helmut Kohl's views that Nato can afford to delay a decision on replacing ageing Lance missiles until after the 1990 West German elections. Last week Mr Kohl said an early decision, sought by Britain and the US, would give the wrong signals to the Soviet Union and Eastern Europe at a time of improving East-West relations.

Mr Melvin Laird, President Nixon's defence secretary, said Mr James Baker's tour of Nato countries was premature and that the Bush Administration's position on short-range missiles had not been properly thought out.

The group stressed that modernising Lance would be an effective way of showing "an appreciation of the indispensable role of nuclear weapons" and would pre-empt a Soviet proposal for denuclearising West and East Germany.

On other Nato questions, the group, led by Mr Melvin Laird and Mr Harold Brown, defence secretary in the Carter Administration, said the US should state unequivocally that it is not considering "now or in the foreseeable future" unilateral cuts in its forces in Europe.

Its report also called for a new Nato committee on conventional forces. The panel would include defence ministers and would partly replace the semi-annual meetings of the Nuclear Planning Group. Separately, defence and foreign ministers should meet annually to co-ordinate policy more effectively.

Elsewhere, the report calls for new Nato proposals on conventional weapons, where existing Soviet superiority should be corrected or ended by asymmetrical reductions.

**Toward Consensus in Foreign and Defence Policy. Johns Hopkins Foreign Policy Institute, 1619 Massachusetts Avenue (NW), Washington DC 20036*

Pentagon's brass hats waiting for Tower

Lionel Barber on the power vacuum in the leaderless US Defence Department

THE most telling moment during President George Bush's budget address to Congress last week came when the television cameras panned to the glum, brooding face of Admiral William J. Crowe, chairman of the Joint Chiefs of Staff.

The nation's top military man has plenty to complain about. Mr Bush's budget envisages that Pentagon spending for the next fiscal year will be frozen in line with inflation. Most observers believe that the Democrat-controlled Congress will turn this into a real cut.

Even more galling, the Pentagon had next to no influence on the budget numbers because of the enforced absence of Mr John Tower, Secretary of Defence-designate.

The brass hats have been waiting since mid-December for Mr Tower, and by most people's reckoning they will have to wait a good deal longer. Republican and Democrat Senators seem unable to dispel their doubts about Mr Tower's fitness for the job. A Senate armed services committee vote could come next week, but the latest talk suggests a private session of the full Senate before the confirmation vote – providing Mr Tower does not withdraw in the meantime.

In the early days of a new Administration, it is vital to get off to a fast start. The Pentagon has hit the ground walking. It is currently being run by a lawyer-cum-administrator, Mr William Taft, who served as deputy defence secretary in the Reagan Administration but who is deferring on all military matters to the increasingly influential Mr Brent Scowcroft, President Bush's national security adviser.

Most of the key middle-ranking jobs, those that drive the wheels of the bureaucracy, have yet to be filled or confirmed. Mr Robert Costello, the Pentagon's procurement chief who oversees a $300bn (£170bn) annual budget, is unlikely to stay on, but his replacement remains uncertain.

"We just don't know who to deal with or talk to," complained one official on the House armed services committee.

The budget remains the first priority: more than $250bn needs to be trimmed from spending plans inherited from the Reagan Administration. That means tough choices on which weapons systems to buy and which to ditch. It also requires far more inter-service co-operation than ever proved possible under the Reagan Administration, where figures such as Mr John Lehman, Navy Secretary, had a habit of steaming off in their own direction.

Mr Tower can argue that at least his top-tier management is in place. Mr Donald Atwood, formerly of General Motors, is set to be deputy secretary, largely an administrative job; elsewhere, the three service secretaries – Mr Will Ball (navy), Mr Rhett Dawson (army) and Mr Jim McGovern (air force) – are ready and willing. But all three are former aides to Mr Tower, who served for 24 years as Republican Senator from Texas, latterly as chairman of the Senate armed services committee. Their effectiveness depends largely on his confirmation.

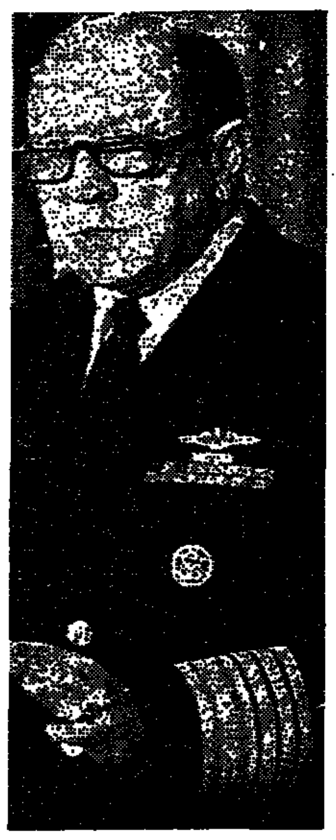
The lack of leadership is all the more worrying because the Bush Administration has initiated several policy reviews in which the Pentagon has a direct interest. The most important is the survey of US strategic priorities (including modernisation of the land-based nuclear deterrent), and the review of East-West relations which focuses on change in the Soviet Union and an appropriate Western response.

Dr Fred Ikle, who served as the third-ranking Defence Department official in the Reagan Administration, suggests that if the reviews end up as "pie-in-the-sky" reflections on the state of the world, then the Pentagon can recover easily. This could change if the discussions on East-West relations dig deeper, as Mr Scowcroft seems to want. For the moment, however, the Pentagon, once accustomed to sitting in the driver's seat, finds itself "in the middle of the caravan," says Dr Ikle.

The contrast with 1981, when Mr Caspar Weinberger took charge as Defence Secretary, is striking. First, Mr Weinberger was confirmed by the Senate by the end of January; second, in addition to President Carter's planned build-up, he won a whopping increase which laid the foundation for the $2,000bn Reagan rearmament programme; third, the Pentagon was an early, influential player in foreign policy, arguing successfully for support for covert operations in Central America and active backing of Pakistan and Gulf Arab states in the wake of the Soviet invasion of Afghanistan.

Dr Ikle says the Pentagon still has plenty of time to reassert itself and notes that one of the most powerful bureaucratic infighters, Mr Richard Perle, did not join the Pentagon staff until mid-1981.

But for the moment, the picture is one of an embattled department in search of a leader. No wonder Admiral Crowe, who was once content to send an adjutant to White House strategy meetings, has taken to attending in person.



Admiral William J Crowe (far right), chairman of Joint Chiefs of Staff, has waited since December for John Tower (above), Defence Secretary-designate. Meanwhile, the Pentagon defers on military issues to Mr Brent Scowcroft (right), national security adviser.

THE LEX COLUMN

A late conversion for Storehouse

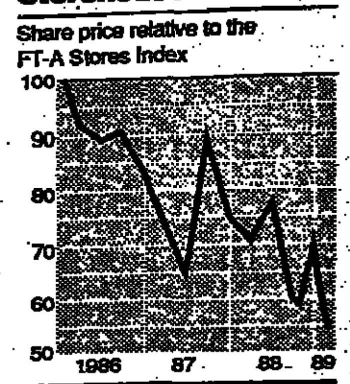
The best news yesterday from Storehouse, amid the mayhem of write-offs and mark-downs, was that it has no immediate plans to expand. In the latest six months, sales volume has been growing just slightly slower than sales footage. Put that together with almost zero price inflation and soaring rent and wage costs, and Storehouse's conclusion could profitably be followed by the retail industry as a whole.

That apart, the company's new strategy seems chiefly one of unpicking the disastrous Conran legacy. In the early days of the merger, the new chief executive pointedly remarks, the business was run "without firm central direction or support services, except for design". Now the various brands – Mothercare, Habitat and so forth – are to be more clearly differentiated, with head office restricted to mundane tasks like stock control and property management. The latter includes such initiatives as swapping brands from site to site; but here, as elsewhere, the problem is the ungainly BhS empire, confirming the overall impression that the new strategy is a gallant attempt to make the best of a bad job.

The trouble is that it may all be too late. In essence, Storehouse appears to be undertaking a costly rethink over a two or three year period which will see the industry going through its worst downturn in recent memory. The fall in pre-tax profits this year may be over 40 per cent, to perhaps £65m before exceptionals, and it is quite unclear whether there will be any recovery in the following year. As to why the shares should be at 170p, or nearly 20 times earnings, there is no saying: it is certainly not obvious why anyone would pay such a price to inherit Storehouse's problems.

Storehouse

Share price relative to the FT-A Stores Index



to 35 per cent by the end of next year. The company's yield is already one of the best among the majors; its problem is rather one of earnings growth.

Yesterday's full year figures are not particularly encouraging on that score. Indeed, by far the best performance was by the departing minerals division, which made as much money in the fourth quarter as in the whole of 1987 – and whether RTZ will get anything like as much out of it this year is quite another matter.

Meanwhile, one of the least happy effects of BP's recent deals has been the increase in the tax charge. The ACT write-off last year alone was £100m, and this year's figure will bear the cost of the Kuwaiti deal. Sir Peter Walters may well bemoan the inconsistency of the Government in encouraging companies to diversify abroad only to clobber them for tax; but as no one in the Treasury seems to be listening, hisshareholders appear stuck with the problem.

BP

BP has had so much excitement in the last couple of years that a dull patch is now unavoidable. However, the 4.5p fall in the shares to 271.5p that followed yesterday's slightly paltry rise in the dividend suggests that some shareholders had expected the company to tide them over a year or two of corporate tedium with a fatter payout. BP was quite right to resist any such temptation, which would have made further inroads into its dividend cover, and would not have helped it to cut gearing from 50

Australian dollar

Yesterday's collapse in the Australian dollar is rather reassuring news for those who thought that the foreign exchange markets had lost touch with reality. Over the last few months, the simple rule of thumb for most foreign exchange traders has been to buy whatever currency had the worst local economic news, on the assumption that interest rates would rise and drag it up. Australia, whose use of the interest rate weapon makes the UK look a positive weakling, has been one of the most fertile testing grounds for this rather naive theory.

Since September 1986, its currency has risen from 61 US cents to a peak of 89 US cents. But worries about the domestic economy, brought to a head by some terrible inflation and balance of payments figures, are now reasserting themselves;and even though the Australian Reserve Bank has recently raised its rediscount rate by another 60 basis points, to 16 per cent, this has not stopped the currency dropping by close to 6 per cent in the last week. Higher interest rates have not stopped inflation accelerating, and with an election in the offing there must be a fear that the Government will begin to lose its nerve. It is easy to overdo the parallels with the UK, but it would be dangerous to ignore them.

British Telecom

More despite British Telecom than because of it, British consumers are rapidly adopting the habits of an advanced telecommunications culture. Even if the economy fulfils the Chancellor's fondest desires for a slowdown over the coming year, converts to the cause of frequent telephone use should still keep BT call volumes rising by a very respectable 8 or 9 per cent. Shareholders might well prefer the 11 per cent which BT should manage in the current year; indeed, they took the first signs of a slowdown badly yesterday, greeting lower third quarter volume growth with a 1.8 per cent decline in the share price. But the lower figure would still be the second highest ever, and would give the company ample opportunity to fulfil its role as one of the FT-SE's most defensive and predictable stocks.

The more interesting question is whether BT can continue to fulfil that role once the British telecoms market fully comes of age. Signs are that BT will be forcibly prevented by the regulators from dominating many of the highest growth areas of the future in the UK; the first sign of this came last month when the company was ordered to reduce its stake in the telepoint pocket phone consortium.

But if the lessons of the more mature US market are that BT's core business cannot sustain above average growth in the medium term, then investors should prepare themselves for the fact that buying higher growth for the future can be both expensive and risky. Last month's McCaw Cellular Communications deal was both; and, chances are it will not be the last.

Lockerbie bomb may have been in radio

By James Buxton in Edinburgh

THE DEVICE which destroyed the Pan Am 747 over the Scottish town of Lockerbie on December 21 is believed to have been hidden inside a radio cassette player which "the balance of probability" suggests was in luggage originating in Frankfurt, West Germany police investigating the disaster said yesterday.

The disaster claimed the lives of 259 people on board airliner and 11 people in Lockerbie.

However, the piece of luggage has not yet been identified and there is insufficient evidence to establish the identity of the individual or group responsible for what the police describe as a multiple murder.

These conclusions were reached from meticulous reconstruction and examination of the aircraft and baggage container in which the explosive device was located. This was reconstructed from scraps of wreckage scattered over an area 40 miles long.

Australian dollar plunges after release of poor trade figures

By Chris Sherwell in Sydney

THE Australian dollar yesterday had its largest one-day fall in 2½ years after poor balance-of-payments figures unexpectedly prompted Mr Paul Keating, the federal Treasurer, to comment on the currency's recent high levels.

In hectic trading on Sydney foreign exchanges, the dollar fell to 63.3 on a trade-weighted basis (May 1970=100), down from 65.1 on the day, despite a sharp rise in yields on 90-day bank bills and 10-year government bonds.

The rates firmed following publication of figures showing a January current account deficit of A$1.554bn ($1.38bn), far worse than the most pessimistic expectations. This took the seven-month total to A$9.64bn – past the full-year forecast of A$9.5bn made by the Government last August.

The dismal figures came two weeks after the release of inflation figures of 7.7 per cent in the year to December, confirming a reversal of the previous downward trend.

At a press conference in Canberra yesterday, Mr Keating insisted there was no need for the Government to change its stance of tight monetary and fiscal policy. "Basically, the glass is too full," he said of the buoyant economy, "and the effervescence is spilling over the side in the form of the current account and inflation."

Asked about the continuing strength of the Australian dollar, which is hurting the country's export performance, Mr Keating, departing from recent convention by refusing comment which might influence the market, said: "When demand conditions moderate, I expect and indeed hope that the dollar will fall. And certainly the day that starts we will not be standing in the way of stopping it."

Reported instantly to the world, his remarks reinforced the negative sentiment against the dollar which had first emerged on Wednesday as a result of signals from the Reserve Bank (central bank) and which the current account figures confirmed.

Despite the prospect of continuing firm interest rates, the currency was marked down further. Yesterday's close of 63.3 compared with 66.2 on Tuesday and 66.9 a week ago.

Against the US dollar, the currency finished at 84.7 US cents in Sydney, down from 87.6 on Wednesday.

On the money markets, yields on 90-day bank bills finished at 17 per cent, up from 16.6 per cent on the day, but off the top. Yields on 10-year government bonds also rose, pushing through the 14 per cent barrier to 14.3 per cent, up from 13.95 per cent.

On the share market, prices plummeted. The All Ordinaries Index finishing 28 points lower at 1,451, which compared with a level of 1,514 a week ago.

Some analysts cautioned against assumptions that the dollar would continue its fall, saying the situation was different from mid-1986 when Mr Keating's warning that Australia could become "a banana republic" provoked the last major currency drop.

"Australia's fundamentals are not good," a senior bank economist acknowledged. "But they don't warrant a heavy sell-off. The country's terms of trade have improved dramatically over the past year and there is no sign of an imminent reversal."

Storehouse faces dip in profits and job cuts

Continued from Page 1

sion and said the dividend would be maintained at last year's level.

The group has been criticised for failing to implement good retailing disciplines, such as cost and stock control, while allowing free rein to design.

Mr Jim Power, the company's finance director, said the group would have to run Habitat, Sir Terence's original company – which has had particular stock problems – "as a business not a religion."

On the stock market yesterday, Storehouse shares fell 9p yesterday to close at 170p, at which the group is valued at £694.1m.

Analysts, who backed the group's plans, said however, that the shares would have fallen further except for the promise of a maintained dividend and hopes of a bid for the group.

Analysts had already been reducing their estimates for Storehouse's results and Warburg Securities, the group's own broker, cut its forecast two weeks ago.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	-	-	Dubrovnik	S	10	50	Malta	F	14	57	Rhodes	S	14	57
Algiers	F	14	57	Edinburgh	S	03	37	Manchester	C	03	37	Rio de Jo	C	35	95
Amsterdam	F	12	54	Faro	S	18	64	Manila	F	33	91	Rome	F	13	55
Athens	F	12	54	Florence	C	08	46	Melbourne	C	23	73	Salzburg	R	03	37
Bahrain	F	18	64	Frankfurt	C	02	36	Mexico City	F	25	77	San Francisco	C	10	50
Bangkok	F	32	90	Funchal	C	16	61	Miami	C	25	77	Seoul	C	09	48
Barcelona	S	14	57	Geneva	C	08	46	Milan	S	12	54	Singapore	C	31	88
Beirut	F	17	63	Gibraltar	S	16	61	Montreal	C	02	36	Stockholm	F	01	34
Belfast	S	05	41	Glasgow	S	04	39	Moscow	C	02	36	Strasbourg	-	-	-
Belgrade	C	05	41	Guernsey	S	08	46	Munich	R	04	39	Sydney	S	28	82
Berlin	R	06	43	Helsinki	F	05	41	Nairobi	C	24	75	Taipei	F	27	81
Biarritz	-	-	-	H Kong	C	22	71	Naples	S	13	55	Tangier	S	17	63
Bombay	S	30	86	Innsbruck	Sn	02	36	Nassau	F	25	78	Tel Aviv	F	18	64
Bordeaux	-	-	-	Inverness	F	01	34	New Delhi	F	22	72	Tenerife	D	17	63
Brussels	F	09	48	Islamabad	R	09	49	New York	C	05	41	Tokyo	F	13	55
Budapest	R	04	39	Istanbul	C	07	45	Nice	-	-	-	Toronto	Sn	01	34
B. Aires	C	29	90	Jakarta	R	30	86	Nicosia	-	-	-	Tunis	F	15	59
Cairo	S	19	66	Jersey	F	09	48	Oporto	S	15	59	Valencia	S	18	64
Cape Town	S	30	86	Jo'burg	C	17	63	Oslo	C	08	46	Venice	F	08	46
Caracas	C	25	77	Lima	F	27	81	Paris	-	-	-	Vienna	R	06	43
Casablanca	S	23	73	Lisbon	F	20	68	Peking	C	04	39	Warsaw	C	05	41
Chicago	F	-12	10	London	F	08	46	Prague	R	04	39	Washington	R	07	45
Cologne	F	06	43	Los Angeles	F	18	64	Reykjavik	F	-9	16	Zurich	R	03	37
Copenhagen	F	03	37	Luxembourg	F	04	39								
Corfu	S	14	57	Madrid	F	19	66								
Dallas	D	04	39	Majorca	S	17	63								
Dublin	S	07	45	Malaga	S	16	61								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

S African blacks reject Mrs Mandela

Continued from Page 1

most female symbol of black resistance, Mrs Mandela recently enraged many in Soweto and elsewhere by her affluent life-style and the creation of a bodyguard calling itself the "Mandela United Football Club". Police are now investigating the club's possible involvement in the murder of 14-year-old Stompie Moeketsi.

The communique expressed "outrage at Mrs Mandela's complicity in the recent abductions and assaults" by the football club, and added: "Had Stompie and his three colleagues not been abducted by Mrs Mandela's 'football team' he would have been alive today."

The statement said the democratic movement was "of the view that Mrs Mandela has abused the trust and confidence which she has enjoyed over the years". Mrs Mandela could not be contacted for comment last night.

Asked about the scandal, Mr Oliver Tambo, president of the ANC, sought to play down the affair. He said: "That will sort itself out now. It has gone out very badly but . . . our people are attending to it and it is being discussed not just by the people of Soweto but by the national leadership (of the ANC)."

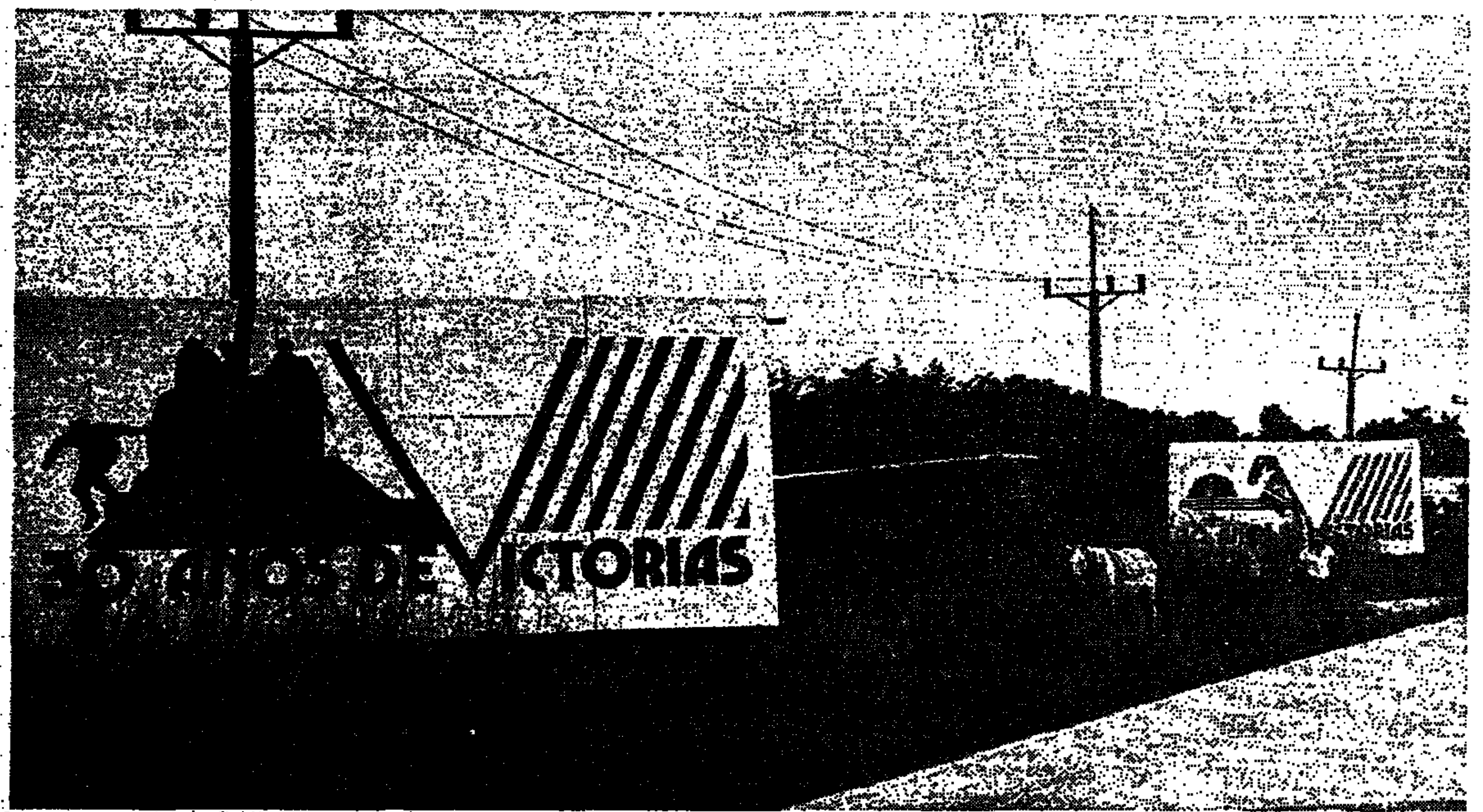
Mr Tambo, who used to be Nelson Mandela's law partner and is his closest friend, said he had been in touch "on and off" with Winnie Mandela. Mr Tambo, who has lived in exile since the early 1960s, said the ANC's image in South Africa would not be damaged: "What one person does, doesn't affect the image of the ANC."

Hunger strike ends, Page 3

SECTION III

FINANCIAL TIMES SURVEY

Slowly, Cuba's regional isolation is coming to an end in the wake of improving relations between Moscow and Washington, writes Robert Graham. And the country's 63-year-old leader would like to balance Cuba's dependence on Comecon with more hard currency trade with the West



□ *"Thirty years of victory" poster along the roadside in Matanaz province. Photo: Ashley Ashwood*

CUBA

A mellowed revolutionary

FOR A small nation Cuba occupies an exceptionally large space on the world stage. The personality and ambitions of Mr Fidel Castro have given this Caribbean island a role wholly disproportionate to its resources and 10.3m population. For the past 30 years it has been Fidel's Revolution and Castro's Cuba.

The obsession of successive US administrations with the presence of a Communist neighbour 90 miles off the Florida coast and the unsuccessful attempts to unseat President Castro have merely served to enhance his notoriety.

Back in 1962, Cuba was the fulcrum of a potential superpower nuclear conflict. Today, entente between Moscow and Washington is pushing Cuba to the periphery of East-West tension. The Bush Administration is signalling a less ideological approach to Cuba; while the new Soviet leadership, with its own internal problems, is far less willing to sustain's Cuba's experiment in socialism with a blank cheque.

Cuba is potentially vulnerable in this changing international climate. The economy is now in its fourth year of austerity, consumer goods are in short supply, vital Western credit is scarce and the contradictions of the Revolution's achievements are ever more apparent. Every Cuban, for instance, can have access to superb medical attention, education and the guarantee of a job; but this is at the expense of an appalling lack of transport, an insensitively rigid bureaucracy and huge underemployment.

The possibility of a thaw in relations with Washington has produced a palpable sense of relaxation in Havana. But such a thaw implies changes in both the system and attitudes that would be hard to countenance for the 63-year-old President and those who carried out the Revolution against Batista. This is a nation wholly conditioned by the threat (and reality) of US invasion. Cuban nationalism has been forged largely by anti-Americanism.

Mr Carlos Rafael Rodriguez, Cuban Vice-President and the regime's elder statesman, insists Cuba is not dropping its guard, emphasising that the US is still entrenched at the naval base of Guantanamo Bay. But he recognises President George Bush is "more rational and less ignorant" than Ronald Reagan and that a dialogue is possible "on the basis of mutual respect."

Perestroika in the Soviet Union is mentioned only in the most oblique terms by the heavily-controlled media. But some among the younger generation see in perestroika a chance for Cuba to emulate the opening up of the Soviet system. President Castro himself is in no mood to emulate. "Our problems are different...We are creators not imitators," he says, insisting Cuba will continue faithful to the path of Marxism-Leninism and central planning.

At an emotional level, it is easy to see why any embrace of capitalism implies betrayal of the ideals of the Revolution. In this vein, Mr Castro has made revealing comments to the effect of "better to have bad socialism than ape capitalism." Yet behind this front, the President has mellowed. The revolutionary is turning statesman, seeking formal ties and trading links with many of the bourgeois governments in Latin America he once tried to overthrow.

He would also like to balance Cuba's dependence on Comecon with more hard currency trade. The drying up of Western credit since 1986, caused by the inability to service \$6.4bn worth of debt, has meant that almost 90 per cent of trade is now with Comecon.

The authorities are well aware that a shake-up in the structure of Comecon, especially over pricing and convertible currencies, could have negative consequences, and behind all this lies the unvoiced concern that Moscow might decide to reduce the level of aid.

If sugar and nickel price support are added to special arrangements on oil supplies, soft roll-over credits and grants, then Soviet aid worth at least the equivalent of \$3bn is flowing to Cuba annually.

Top Cuban officials insist the Soviets have given assurances that existing aid commitments will be honoured for the 1986-90 five-year plan. But such guarantees are short-term, and the April visit of Mr Mikhail Gorbachev to Cuba is being awaited anxiously.

It would be wrong to downplay President Castro's own single-minded dedication and the sacrifices of his fellow Cubans in eliminating poverty. Nevertheless, the establishment of the most advanced welfare state in the Third World owes much to generous Socialist Bloc aid, especially from the Soviets.

Soviet aid has further permitted Cuba to become the most militarised society in Latin America, capable of mobilising 1.2m people – more than Brazil with a population 13 times greater. Under the Soviet umbrella, though not always in full accord, Cuba has managed to keep up to 100,000 *internacionalistas* in over 40 countries at any one time.

The most notable case has been Angola. Over the past 13 years more than 300,000 Cubans have served there. Arguably the Cuban role in bringing about the UN-backed peace treaty for south-west Africa last December is President Castro's single most important foreign policy achievement, balancing his earlier failures to promote sympathetic revolutionary regimes in Latin America.

Without the presence of 50,000 troops in Angola, willing to fight indefinitely against South African backed forces, it is unlikely that Pretoria would ever have come to the negotiating table. As it is, the December tripartite agreement offers a genuine chance for the independence of Namibia and greater stability in south-west Africa. Elsewhere, President Castro's achievements have been more elusive.

The Revolution itself – an all-embracing word vaguely used to describe the process of building a new socialist society – has aged, if not matured, to become institutionalised under the tight control of the Communist Party with Castro at its apex. He retains his enormous popularity, which still enables him to stand above the frequent criticisms of bureaucratic incompetence and inefficiency that riddle every aspect of life.

Indeed, the President is the only person permitted in public to criticise the regime. Its opponents are, in the main, the exiles in Miami. A small human rights movement arouses more curiosity than sympathy and is easily controlled. Nevertheless, Mr Castro is sensitive to charges of human rights abuses and has begun to release political prisoners (just over 200 remain).

It is a society which poses more questions than answers about its intended march towards true communism. For instance, Mr Castro's great pride is the Institute of Bio-Technology. Open since 1986, it was built in less than two years at a cost of \$110m. Inside its immaculate laboratories, equipped with state-of-the-art technology, an elite group of scientists is working 14 hours a day to make Cuba a world force in medicine and bio-technology. The institute could be either an expensive luxury or the tool with which Cuba establishes a new high-tech basis for its economy.

In the area of health care, where its results are the envy of Latin America, Cuba risks being a victim of its own success. Over 11 per cent of the population is now 65 or older, and by the year 2000 that figure is projected to be 17 per cent. Caring for the aged is an unresolved headache for advanced countries, yet Cuba has only the resources of a middle-ranking Third World nation.

As for raising productivity in a centrally managed economy, the existing low wage system is stretched to the limits. Significant sectors of the economy like construction, sugar and citrus rely on voluntary manpower or labour mobilised through schools, the unions and the military. At the other end of the spectrum, material incentives are increasingly used to encourage productivity.

The contradictions are apparent in the citrus industry. Packers are rewarded on the basis of quantity packed. This means they earn more working on exports to Comecon, which is less demanding on quality, than selecting fruit for the exigent "capitalist" markets – from which Cuba itself earns more per unit. Officials say they are seeking to "rectify" the problem: one of the many vague words in the Cuban political vocabulary which implies there are no easy answers.

In judging Cuba, so much depends upon perceptions, and the fact that Cubans themselves have a completely different view. Cuban officials have no difficulty in rationalising low living standards and low wages because they believe the right to basic nutrition, health and education is more important. The same applies to the regimentation of thinking and the lack of permitted opposition – human rights, they say, are just as much about the right to a society without drugs, exploitation, and full of human solidarity. President Castro dismisses elections as unnecessary - "the people vote for the Revolution every day."

Thirty years on, Castro's Cuba has undoubtedly eliminated poverty and created a basic level of well-being. Mr Castro's stay in power appears indefinite. Yet he has still to prove how wealth can be generated to move beyond the present low-wage egalitarianism or indeed how to sustain an ever more expensive welfare state apparatus which is underpinned by Soviet aid. Equally fundamental, in an increasingly educated society, the President is offering only an authoritarian solution to the question of choice.

Mr Castro exercises decisive control over political life, writes **Tim Coone**

Where perestroika must go under cover

A MODERN art exhibition, currently on display in Havana, has as one of its exhibits three broken wooden children's carts. The theme of the exhibition is that of a retrospective look back to 1989 from the year 2189. The caption to the display is: "Three wooden sculptures from 1989. Symbolism unknown."

In reply to my bafflement, a Cuban artist friend later explained: "Did you not notice that the carts had no wheels? It is symbolic of the immobility of the revolution." Such is the essence of dissent in today's Cuba.

President Fidel Castro's rejection of glasnost and perestroika, which is stirring up many Communist bloc countries, has attracted much comment outside Cuba and as much speculation as to whether the sheer force of events, trade relations and history might eventually sweep Cuba in the same direction.

At present, Mr Castro stands firm. The Cuban Communist Party (CCP) with the President at the helm, exercises decisive control over political life in Cuba and is firmly entrenched in its view that Cuban socialism has retained its purity and has not been tainted with "deviationist capitalist tendencies," as the hardliners view the changes taking place within the Soviet Union.

Without a doubt, Cuba is an egalitarian society. Good health and education, an adequate if limited diet, reasonable housing and basic – albeit unfashionable – clothing are within reach of everyone's income. The same cannot be said of anywhere else in Latin America.

As father-figure, guru, sage and guiding hand of these achievements, President Castro has managed to stand above the failures of the system; the queues for buses and bread, the lack of consumer goods which people have the money to buy, the frustrations of daily life, which in other societies can lead to overt forms of protest or even political defeat.

The hold that the CCP maintains over political life is at present unchallengeable. It is frequently forgotten that it was not until 1974 that the first elections were held for municipal and regional assemblies – 15 years after the revolution, and nine years after the CCP was formally organised from various left-wing groupings including Fidel Castro's own 26 July Movement which exercised power until then and which had its roots in social democracy rather than Communism. It was only later Mr Castro said: "I am a Marxist-Leninist and will remain one until I die."

Elections are now held every 2½ years to the municipal assemblies; the next one is due this year. Each neighbourhood, ranging from 30 to 200 voters, is entitled to elect one delegate to the assembly. The municipal assembly then elects representatives to each of the 14 provincial assemblies and also to the National Assembly – the latter having one delegate for every *20,000 inhabitants.*

In theory anyone, CCP member or not, can be elected. In practice as one municipal delegate explained: "No political campaigning is allowed. A public meeting is held where candidates are nominated and present themselves. A candidate is later elected by secret vote on his or her merits."

Non-party members do get elected to the assemblies. But the possibility of an opposition movement to the CCP projecting itself at regional or national level to attempt control of even a municipal assembly, is extremely remote.

The state-controlled media reports only what the Government wants reported and alternative views have little possibility of achieving mass circulation, even if they are within a socialist context. New Times and Moscow News, both Soviet publications supporting perestroika, are virtually unobtainable in Cuba. Those that are available are passed from hand to hand and have attained the status of semi-clandestine publications.

President Fidel Castro

At schools and universities, the teaching of Marxist philosophy is very lop-sided. Many Marxist writers such as Jean-Paul Sartre (who criticised President Castro after an initial phase of enthusiasm) are simply ignored in curricula. Imported books are available *only through the black market.* Raul Castro, the President's brother and nominated successor, who is also head of the armed forces, is renowned for having once said: "No-one criticises Stalin in my presence."

The result is that many of the political cadres that are produced by this system, and who later become party officials or government and state company managers, tend to be schooled in only a limited range of ideas.

The scope for disagreeing with the views of top party and government officials, most of whom date from the guerilla war days and were schooled differently, is automatically limited. Like a Masonic lodge, party members are only accountable to each other and dissent within the party is not discussed with outsiders.

Nosy journalists tend to be treated with great suspicion, unless the green light has been given from above. Even then, party matters are taboo subjects. In short, the workings of the system are largely concealed from the rest of the population, allowing inefficiency to thrive and corruption to go unchecked unless the party itself takes action.

A process of "rectification of errors" was begun in 1985, in an attempt to reduce these *abuses but also to correct poli*cies which encouraged the formation of a class of small capitalists. Success in eliminating the latter but only slow progress in reducing the system's inertia and inefficiencies have caused it to be dubbed as the "ratification of horrors."

Foreign diplomats in Havana admit to having little knowledge of who, besides President Castro and a tight cabal of party faithful, exert decisive influence on policies. It is clearly not the elected bodies, although they do have the function of a "sounding-board" for complaints and ideas of which the party *does take note.*

Mr Castro is known to draw on a "support group" of younger party specialists in the 40-year age group who appear to have been groomed to take the places of the older members of the party politburo as they die, but their level of influence and the group's composition remain hazy.

Without a doubt, the major strategic moves that have been made, whether economic or political, have tended to be Mr Castro's personal decisions – the nuclear energy programme, Havana's new $100m biotechnology centre, the universal health and education systems, Cuba's involvement in Angola.

To finance them and to *maintain* their momentum when they have run into problems, sacrifices have had to be made in other sectors. Military-style approaches and organisation are often taken to problem-solving, whether it is a poor sugar harvest or a shortage of housing. "Brigades" of youths and workers are organised to provide the labour, and they are given priority allocation of resources to complete the task at hand. The rapid construction of "Expocuba" – a large, permanent exhibition centre inaugurated last month on the outskirts of Havana – is a typical example.

Indeed, the militarisation of society, (it is thought as many as 3m Cubans could be rapidly mobilised in an emergency) and the continued perceived threat of a US invasion are powerful factors which promote political unity around a common cause. The armed forces are the backbone of the defence of the system. Their 13 gruelling years in Angola have just brought Cuba's first major foreign policy success in 30 years, and the troops are returning as victors.

Together with the symbols of social and economic progress under Castro and the CCP – universal health and education, nuclear power, biotechnology, these successes work in favour of a continuation of the system as it stands. Their high cost, however, and the inability of the political structure to respond adequately to the severe economic strains and planning failures that have appeared in recent years, are factors working in favour of eventual change.

The role of the church, with only minimal influence in what is now a predominantly agnostic or atheist society, is limited to support for the increasingly active human rights groups, which in turn look to the outside world to exert pressure on the Cuban Government. Human rights in Cuba is not an issue of assassination and systematic torture, as it is in other parts of Latin America. It is more one of lack of freedom of expression, and the long imprisonment or exile of publicly dissenting critics.

Pressure for change can be *expected to come both from the* Comecon countries and the US – from Comecon because of its close economic relations with Cuba and the need for greater efficiency on Cuba's part in meeting its trade obligations and from the US precisely because of the lack of economic relations.

The new Bush administration in the US has a tempting carrot to offer Cuba by lifting the economic embargo. Opening the doors for US tourists to visit Cuba would boost the island's projected boom industry and could quickly turn around its economy. But it is improbable that such a concession will be given without a suitable *quid pro quo.*

Since Mr Castro *insists on* maintaining ideological purity, he runs the risk of not opening the party and government to a wider range of ideas. That may undermine the very political structure he seeks to preserve.

Everyone in Cuba knows of perestroika, and it is not only artists who are aware of the dangers of immobility.

Robert Graham looks at the problems of the economy

Austerity ... and experiment

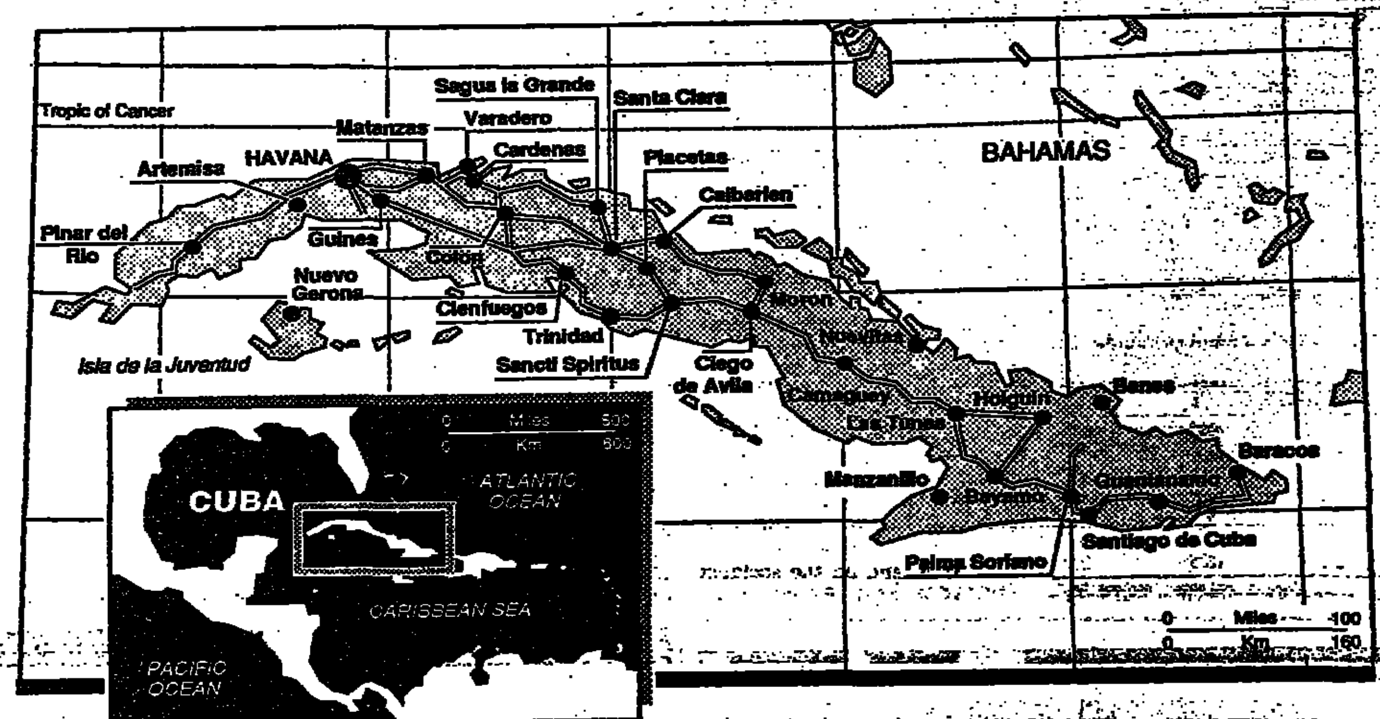
FROM President Fidel Castro downwards, the calls are for "sacrifice" and "work harder to produce more." Such exhortations underline the plight of the Cuban economy, experiencing its fourth consecutive year of austerity.

The impressive growth rates of the early 1980s, when Cuba outperformed the rest of Latin America, have evaporated. Instead, annual average growth during the current five-year plan (1986-90) is unlikely to be more than 1.5 per cent against a 5 per cent target.

Preliminary estimates for 1988 indicate the economy grew 2.2 per cent, with a marginal rise this year, thanks to a good sugar harvest and improvements in other exports. But after a sharp fall of 4 per cent in 1987 – described by the Banco Nacional de Cuba as "one of the most critical years the country has had to face" – the country is only just returning to the Gross Social Product of $27.4bn achieved in 1986.

Consumer spending is being squeezed by this socialist economy's crudest tool – restricting the supply of goods. With less to buy, money in the hands of the public has increased sharply and the authorities have managed to channel only part into new savings. Parallel to this is a growing dollar economy, fed by tourism and emigrant/exile remittances, whose main outlet is a chain of dollar shops.

The peasants' markets, where they could sell their surplus produce, were closed in 1986. These markets created anarchic differences between free and subsidised prices, and enriched the peasants at the expense of the urban poor. A five-year experiment, it seemed too hot to handle in a centrally planned economy.



In retrospect, it is clear that 1985 was a turning point for the economy not only because it marked a return to rigid central planning. It heralded the close of more than two decades of uncritical Soviet aid and relatively easy access to Western credit. It also signalled an abrupt end to five years of exceptional growth. Between 1980-85, the economy grew at an annual average of 7 per cent. Since then, a combination of adverse weather, poor management and supply bottlenecks at home and debt and low commodity prices abroad have constricted growth.

The 1989 budget envisages total expenditures of $13.5bn, which is only 7 per cent more than spending in 1985. During this four-year period, income has declined and the budget deficit has grown. The deficit has risen from $252m in 1985 to a projected $1.62bn this year.

Lack of cash at home and the drying up of foreign credit have restricted major capital expenditures, which tend to reflect projects on the drawing board or already begun at the end of the 1980-85 five-year plan. Even the published amounts devoted to defence have scarcely changed (this year $1.27bn or 10 per cent of the total).

Cuba has cut hard currency imports and imposed a notional annual ceiling of $700m, which is 40 per cent lower than the level prevailing at the end of the last plan. The ceiling is proving tough to observe, but there are encouraging signs that higher exports to capitalist countries are narrowing the hard currency trade deficit (down from $179m to $103m in the 12 months to last September). The level of trade with Comecon, now 90 per cent of the total, has declined 5 per cent over the past year. All this is happening while the prospects are remote of any early change in the 28 year-old US economic embargo.

Soviet price support mechanisms for sugar and other commodities like nickel have shielded the economy from international price fluctuations. But such protection has to be measured against these mechanisms being fixed on a 1985 world view of prices and a tougher Soviet line on complying with quota commitments.

In 1987-88 Cuba had to spend almost $400m in buying sugar on the open market to fulfil its Soviet quotas. Put another way, drought and production difficulties in the sugar industry forced the country to spend 20 per cent of its hard currency export earnings to buy the very product which generates 80 per cent of total exports.

Furthermore, low international oil prices have removed one of Cuba's principal sources of foreign exchange – the sale of oil saved from the 12.5m tons supplied annually by the Soviets. Four years ago, oil re-exports were worth $600m. This figure has now fallen below $300m, and is also declining by virtue of growing demands by Cuban industry on power supplies.

The impact of the international free market has been even more marked in relation to Cuba's special links with the dollar. This is because Cuba holds 87 per cent of its hard currency debt in non-dollar currencies (a reaction to the US economic embargo), yet at the same time, its main hard currency export earnings are paid in dollars.

Between September 87-88, Cuba's hard currency debt increased 15 per cent or by $880m to $6.4bn, according to the Banco Nacional de Cuba. Of this, $428m was attributed to depreciation of the dollar. Debt service was halted in 1986 even before such dollar depreciation began to bite. As a result, this has complicated further the prospect of an agreement with the Paris Club, whose members account for the bulk of Cuba debt. In the meantime, Cuba is forced to rely on a decreasing flow of suppliers' credits, notably from Japan and Spain.

Although Soviet debt is treated differently, being simply rolled over, the total is believed to be no less than the equivalent of $10bn. If total Comecon, Western industrial country and Latin American debt were added together, this would give some $160,000 of debt for each of the 10.3m Cubans.

Senior officials insist Moscow has assured existing levels of support through to the end of the plan in 1990. Its total value is never stated and hard to quantify. The figure of $4bn a year offered by Western diplomats is probably too high. While the Soviets may in the future offer similar levels of support, the conditions are likely to be tougher and Cuba may, against its will, have to follow some of the impending changes in Comecon (such as new pricing of goods).

These uncertainties should not be allowed to obscure the positive aspects. The economy is gradually moving away from its sugar monoculture. More diversification is occurring than is often credited. At a time when other Caribbean nations were given the stimulus of President Reagan's Caribbean Basin Initiative, Cuban non-traditional exports still managed to increase faster. Since 1980 non-traditional exports have risen almost 20 per cent in value – nearly double the gain of Cuba's closest rival, the Dominican Republic.

Tourism is at last being made a priority, having been long ignored for fear of turning Cuba too much towards a service economy (and creating a nation of waiters). Earnings last year were $115m. The potential can be measured from this figure being one sixth the tourist earnings of Jamaica, one tenth those of the Bahamas.

The sugar industry has gone through a painful readjustment and is now being better managed. The Cubans, having learned some tough lessons, are still aiming to produce 10m tons a year, with a growing emphasis on by-products.

The huge delays in the development of Cuba's vast nickel reserves have been largely the Soviets' fault. Nickel production is more than 10 years behind schedule. But new export capacity has been added with completion of the Punta Gorda plant two years ago and Cuba is benefiting from high international prices. By 1992, it should be producing 100,000 tons with 25 per cent available for sale in hard currency.

On the agricultural side, the citrus industry is beginning to earn hard currency. If the Cubans improve the quality and increase the production of grapefruit they will have no difficulty in finding markets. Shellfish exports are also doing well. Finally, some of the formidable investment in medicine and bio-technology should begin to pay off by the mid-1990s, if the necessary industrial back-up can be found and marketing skills developed.

In the end, these provisos all centre upon the nature of a centrally planned economy and whether it has the necessary flexibility and incentives. With education, health and basic food needs taken care of, wages become more like pocket money than a reward for work. Monthly wages range from

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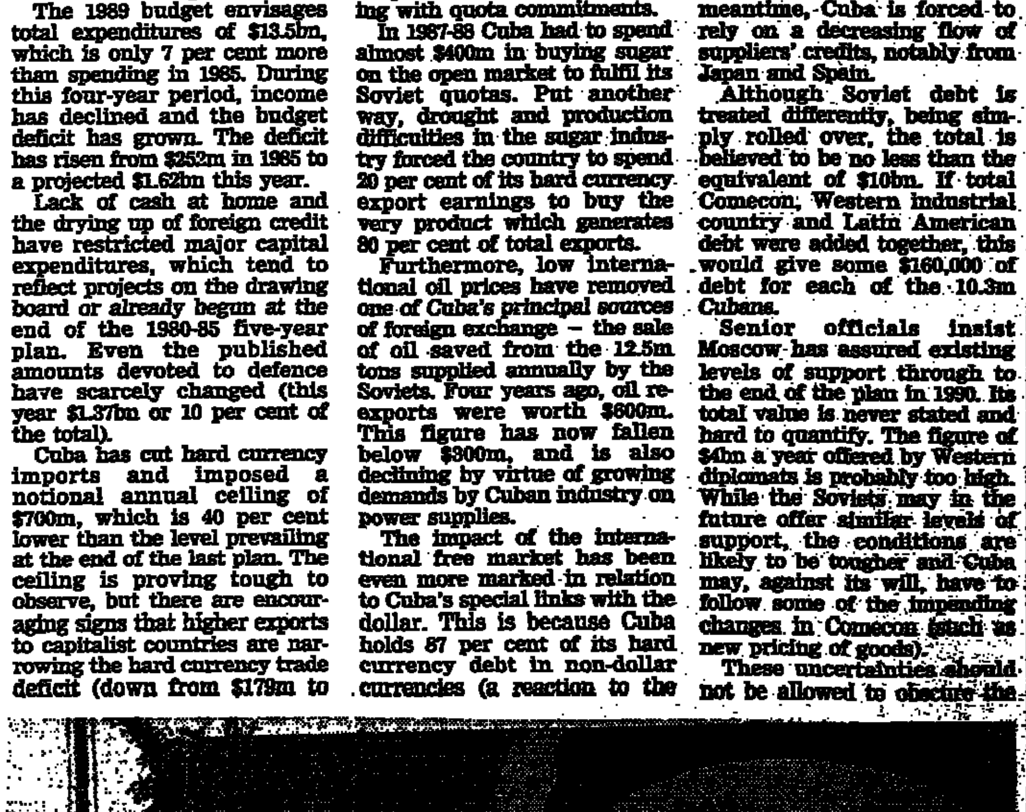


A poster commemorating Che Guevara, who was executed in Bolivia in 1967

Gareth Jenkins looks at the country's foreign trade

It's not all sugar for the Soviets

WESTERN PERCEPTIONS of Cuba's foreign trade relations generally hinge on two propositions: that as a result of the 1959 revolution Cuba swapped dependence on the US for dependence on the Soviet Union, and that this relationship is underpinned by the continued predominance of the sugar economy. Cuban foreign trade officials, in contrast, point to their efforts to diversify both the composition and the direction of trade, and proclaim adherence to the ideal of Cuba's 19th century nationalist hero José Martí "to trade with the whole world and not with a part of it."

Both views contain elements of reality. Sugar and its by-products still represent around 11 per cent of all production, and sugar exports run at around 5m tons to the Soviet Union and the other Comecon countries and 2m to the rest of the world. Sugar exports to Comecon are valued considerably above world market prices, making it possible for Cuba to import around $3m of goods in return – roughly half of it petroleum. Cuba then re-exports the petroleum it does not need domestically. In recent years this has been the second hard currency export after sugar, the two commodities together generating just over 50 per cent of hard currency receipts.

Yet it is clear that Cuba has pursued a dual growth strategy based on foreign trade with both West and East, and on strengthening the domestic productive base. Mechanisation of the sugar harvest – by 1985, 62 per cent of cane cutting and all lifting was mechanised – has raised yields substantially and released labour for developing an industrial infrastructure. When world sugar prices rocketed in the early 1970s Cuba was able to import western goods and technology for the first time on a significant scale, and has tried to maintain these imports through western loans when sugar prices have been low.

Greater integration into world markets has brought its own problems in the shape of foreign debt contracted in the late 1970s, which is now escalating rapidly. It rose 15.5 per cent over the year from June 1987, to reach $6.4bn. Half of this increase was the result of unfavourable currency movements – Cuba's debt is denominated in non-dollar currencies – and most of the rest to an increase in short-term supplier credits which Cuba has resorted to in the absence of further government and commercial bank credits.

At around $600 per capita, the debt is not particularly high by Latin American standards. However, since only 12 per cent of Cuba's foreign trade is with market economy countries, this figure should be multiplied several times for a true comparison to be made.

Countries which are currently not extending fresh long-term export credits include Japan, Canada, Belgium, Britain, France, West Germany, Greece, Portugal, Italy, the Netherlands, Denmark, Switzerland, Austria and Sweden. Indeed, the only ones still extending major credits are Spain and Argentina.

Nevertheless, foreign companies continue to find ways to finance trade. The Italian trading company Socomet, for instance, represents some 880 companies exporting to Cuba. It organises credits from the state agency Sace and from private banks, and seeks to balance trade with Cuban exports to Italy.

Failure to find a solution to its debt problem forced Cuba to reduce its hard currency import bill from around $1.2bn a year between 1984-86 to $0.9bn in 1987. This has increased still more Cuba's relative dependence on trade with the Soviet Union – up from 60 per cent in 1980 to 72 per cent in 1987 – and on the socialist countries as a whole – up from 74.5 to 88.8 per cent over the same period.

Such problems should not obscure the steps Cuba has taken towards export diversification and import substitution. Since 1980 some 150 export products have been introduced, including citrus, seafoods, steel products, agricultural machinery, cement, marble, fibreboard and sulphuric acid.

In 1987 total exports, excluding sugar and petroleum re-exports, amounted to Pesos 1.1bn, of which 43.6 per cent were for convertible currency. Exports of industrial products for convertible currency amounted to Pesos 181m.

These achievements are significant as, unlike other Caribbean basin countries, Cuba does not benefit from special tariff preferences – and indeed still has to contend with a trade embargo from the US.

Cuba has, in fact, transformed its industrial base since the 1960s. The US economist Andrew Zimbalist calculates that between 1961 and 1985 Cuba's annual average percentage production growth rates were 12.8 in capital goods, 7.8 in construction materials, 14.4 in metal products, 7.9 in electrical energy and 7.5 in chemicals. That explains why imports of manufactured goods fell from 58.9 per cent in 1970 to 44.7 per cent in 1983.

Food imports have also been greatly reduced. Substantial improvements in nutrition have been accompanied by a steady decline in the share of food products in total imports – from 20.5 per cent in 1958 to 9.3 per cent in 1986. The development of crude oil extraction – currently around 1m tons a year – and the construction of a nuclear power plant in Cienfuegos will greatly reduce Cuba's energy imports in the next decade.

Efforts are now being made to attract foreign partners to help run key export plants. In a recent speech President Castro said that the coming months could be "decisive" in this respect. The industries where joint ventures are being sought include textiles and clothing, food processing and sugar cane by-products.

Over the past few years Cuba has re-established trade relations with virtually every Latin American country and now has important links with Argentina, Brazil, Venezuela and Colombia. Mexico, like Canada, has maintained trade with Cuba throughout the US blockade. However, a question mark hangs over the future of trade with the European Community, and Cuban officials wait with some trepidation to see what the implications of the single European market will be for Cuba.

The most important potential change in Cuba's trade relations, however, will come if and when the US ends the blockade. A recent study from Johns Hopkins University in Washington concluded that US corporations could capture up to 50 per cent of Cuban trade with the West within two years if the blockade were lifted.

When Cuba is able to escape from its current difficulties it should, therefore, be in a position to diversify its trade relations and reduce its dependence on trade with the Soviet Union. This will no doubt coincide with the Soviet view of how Cuba should redefine its position within the world division of labour.

The author is editor of the newsletter Cuba Business, available from 287 City Road, London EC1.

KEY FACTS (cash figures in pesos)

Population ... 10.38m
Gross Social Product (1987) ... 27.8bn
Annual growth ... -3.5 per cent (1987); +2.3 per cent (1988)
Structure of employment (per cent) ... Agriculture 18.2, Industry 22, Construction 9.5, Services 30.4 (Education 11.6, Health 6.7, Administration 4.8)
Exports ... (1987) 5.4bn; (Jan-Sept 1988) 4.7bn
convertible currency ... (1987) 964m; (Jan-Sept 1988) 805m
Imports ... (1987) 7.6bn; (Jan-Sept 1988) 6.7bn
convertible currency (1987) ... 1bn; (Jan-Sept 1988) 668m
Foreign debt in convertible currency ... (Sept 1988) 6.4bn (bilateral 2.8bn, suppliers 1.4bn, financial institutions 2.1bn)
Reserves (Sept 1988) ... 288m (gold/precious metals 19.5m, cash/deposits in convertible currency 70.4m, deposits in transferable roubles 198.7m)
Budget expenditure ... (1989) 13.5bn; (1988) 11.8bn
Budget deficit ... (1989) 1.6bn; (1988) 525m

The exchange rate used throughout the Survey is $1=one peso. Source: Banco Nacional de Cuba

EXPORTS (in millions of pesos)

	1975	1980	1985	1986	1987*
EUROPE	2,353	2,987	5,544	4,940	5,015
European Community	357	215	286	248	268
of which, Spain	226	46	102	88	85
Comecon countries	1,893	2,657	5,159	4,624	4,682
of which, Soviet Union	1,662	2,253	4,482	3,934	3,868
ASIA	378	420	296	217	225
China	80	116	158	80	86
Japan	222	112	79	110	78
AFRICA	108	233	78	78	80
Canada	64	115	32	37	37
LATIN AMERICA	2	190	10	14	64
TOTAL	2,952	3,967	5,991	5,325	5,401

*1987 figures are estimates

Source: Statistical Yearbook 1986; Banco Nacional, June 1988

IMPORTS (in millions of pesos)

	1975	1980	1985	1986	1987*
EUROPE	2,345	4,104	7,131	6,827	7,036
EC	724	512	546	473	425
Spain	152	139	177	147	163
Comecon	1,501	3,489	6,472	6,240	6,540
Sov Union	1,250	2,904	5,419	5,314	5,496
ASIA	490	312	492	414	240
China	87	105	228	121	97
Japan	361	182	219	284	108
AFRICA	10	4	24	18	20
Canada	98	111	59	53	33
LATIN AMERICA	158	63	282	209	283
Mexico	27	23	77	30	71
Argentina	106	15	193	162	124
TOTAL	3,113	4,627	8,035	7,569	7,612

*1987 figures are estimates

Source: Statistical Yearbook 1986; Banco Nacional

COMPOSITION OF EXPORTS (%)

	1975	1980	1985	1986
Sugar industry	89.8	83.7	74.5	77.0
Mining	4.7	4.9	6.1	5.9
Tobacco	1.8	0.9	1.5	1.5
Seafoods	1.8	2.3	2.0	2.3
Agriculture	1.0	1.9	3.4	4.1
Other	0.9	6.3	13.5	9.2

Source: Statistical Yearbook 1986

FOREIGN RELATIONS

Back to the fold

CUBA IS slowly breaking out its isolation within Latin America which has existed ever since the Revolution.

In less than six months President Castro has attended three presidential inaugurations – in Ecuador, Mexico and Venezuela. Before that, he had been welcomed only in Sandinista Nicaragua and in Allende's Chile in the early 1970s.

The number and variety of meetings held by Mr Castro when he visited Caracas earlier this month underlines the extent of the change. He even met the leaders of Colombia and the Dominican Republic with which Cuba still has no diplomatic relations. He spent more than three hours with Mr Jimmy Carter, the former US President. The logical outcome of these moves is for Cuba to be readmitted sooner or later to the Organisation of American States (OAS).

The change has come about partly because Latin American governments have been transformed in the 1980s, moving away from military regimes that were closely linked to the US. However, Mr Castro himself has radically cut his support for revolutionary movements as a means of gaining influence in the region. He is now committed only to backing the revolutionary left in Chile and the umbrella guerilla groupings in El Salvador.

Instead, he is seeking sound government-to-government relations with a strong emphasis on commercial ties and, where possible, credit lines. Cuba now sees large markets like Brazil as important outlets for trade and forutilising the technology it is developing in the fields of electronics, medicine, health and agriculture. This new emphasis can also be seen in the number of technical conferences held in Havana on these topics – only 10 years ago the same conference halls were being used to discuss non-alignment and Third World liberation movements.

This does not mean that Mr Castro has foresworn his mission to lead the vanguard in the Third World to establish a new order of international economic and political relations. Rather, it represents a more realistic adjustment to Cuba's needs and resources.

His Third World commitment is exemplified by the 32,000 overseas students from 30 countries currently studying in secondary schools, technical institutes and universities at a cost of $40m a year. Over 20,000 of these are in schools on the Island of Youth (the former Island of the Pines where the President was once imprisoned). Most of the students are from Africa (Angola, Ethiopia, Mozambique and Namibia).

However, Cuba also retains up to 100,000 civilian and military personnel abroad in over 40 countries. Some 3,000 are in Nicaragua but the main military contingent has been the 50,000-strong force in Angola supporting the government there against the South-African backed Unita rebels.

The Cuban presence in Angola has often been portrayed as President Castro acting as a Soviet cat's-paw, but this ignores his involvement with Agostinho Neto's Popular Movement for the Liberation of Angola (MPLA) since 1966 – almost 10 years before the Soviets took an active interest. Mr Castro himself has always portrayed his African policy as a form of re-establishing Cuba's ethnic/cultural ties with the continent.

Under the UN sponsored peace treaty last December, Cuban troops will withdraw by 1991. The first 3,000 are already back on the island. This withdrawal, negotiated with South Africa and the US, may be the end of an era whereby Cuba retained large quantities of troops overseas.

If Cuba can deal with the US diplomatically over Angola, that raises the question whether the two sides can now begin to talk about their own long-standing differences. The Castro-Carter meeting in Caracas coincided with an unprecedented Congressional invitation which saw Mr Garcia Oliveras, head of Cuba's Chamber of Commerce, at a prayer breakfast in Washington attended by President Bush.

During the Reagan Administrations relations were tense. From the beginning there was a sour atmosphere caused by events surrounding the Mariel exodus of some 250,000 Cubans. Then, there was pressure on Cuba for backing the Sandinista Revolution, the 1983 US invasion of Grenada and the establishment of the US-Government financed Radio Marti.

However, in the final 18 months informal relations improved with an easing of access for Miami Cubans to visit the island (there are four charter flights a week) and a less belligerent tone in Washington's attitude towards Havana. The US Government has returned 205 of the Cuban criminals who were allowed by President Castro to leave during the Mariel exodus.

The immediate touchstone for more normal relations will be the fate of the TV station which the Reagan Administration wanted to set up to beam programmes from Miami. The Cubans insist the operation of this TV station will be considered a hostile act. An irritant, which can easily be removed as a gesture of goodwill, is the granting of visas to visit the US. Prominent members of Cuba's administration are still being refused entry

Only if these hurdles are put aside would the two countries be able to review broader issues such as restoring diplomatic ties, the US lifting the economic embargo, renewing fishing agreements, and withdrawal from Guatanamo naval base. The latter presence has become more symbolic than strategic since the harbour is little used and is becoming heavily silted. As a counterpart, the US is likely to seek a downgrading of the Soviet military presence in Cuba.

This, again, is now considered of diminishing strategic importance even for refuelling aircraft. The main use for the Soviets in future would be for submarine facilities. Here Cuba's relations with the Soviet Union will be largely determined by Moscow's relations with Washington.

It would be unrealistic to expect any substantial alteration in Cuba's links with Comecon, which go back to 1963. However, the Cubans recognise the need to achieve a better balance diplomatically and commercially with Western Europe, especially with an eye on the 1992 unified market. The prevailing mood is one of pragmatism in Havana. Significantly, when last September the British Government expelled the Cuban ambassador and commercial attaché in London after an ill-explained shooting incident, President Castro chose not to retaliate. Neither side now talks about the matter.

Robert Graham

Austerity... experiment

Continued from facing page

$160 for unskilled jobs to $400 for a doctor. The only incentives other than moral ones are priority in the list for new housing and for a car, or for a better holiday.

The guarantee of jobs has led to high labour turnover, indiscipline and absenteeism on the one hand, and large-scale under-employment on the other. President Castro recently said 100,000 could be removed from the 800,000 Havana workforce without being noticed. Even so, essential elements of the economy like construction, citrus and sugar rely extensively on voluntary or the highly directed use of labour through schools, the trade unions and the armed forces.

Presiding over all this is an opaque system of accountability and funding. Cuban companies act as mere administrators of state funds in the sectors they control. A company manager has no authority over integrated operations such as supply, transport or foreign exchange. Each is a separate responsibility so that individual managers are too often ignorant of the overall economic/financial picture.

There is, however, a fascinating new experiment. Since 1987 state capitalism is being permitted to develop the tourist sector through Cubanacan, a specially formed holding company. Cubanacan is the first company to operate as a vertically integrated unit – controlling its own finances, allowed to order its own supplies, keep its foreign exchange earnings and establish joint ventures. The company can also fix incentives for workers and contract at special salaries foreign managers. Through joint ventures, it is also trying to prove that the seemingly moribund 1982 foreign investment code means what it says; capitalist partners are tolerated in Cuba and can repatriate profits.

President Castro has openly endorsed Cubanacan. If Cubanacan succeeds in such a visible sector as tourism, it is hard to envisage the impact will be self-contained.

Fall in prices holds up changes, but...

Sugar record in sight

WITH THE sugar harvest in full swing, Cuba's 1988-89 "zafra" is expected to top 8m tonnes. If current weather conditions hold, the 1982 record of 8.2m tonnes could be bettered.

This is welcome news after two consecutive poor harvests, in which production fell so much below targets that Cuba was obliged to buy on the open market to fulfil its Comecon quotas. Cuba bought $189m worth of sugar in 1987, according to the Banco Nacional de Cuba, and last year the figure is believed to have been close to $200m. This is a curious predicament for the world's fourth largest sugar producer.

Drought has been the principal cause of production shortfalls. But senior industry officials also blame the bad results on lack of spares, insufficient irrigation machinery, transport bottlenecks and management difficulties.

In the wake of the revolution, the area under sugar cane cultivation was reduced to lessen the economy's dependence on a mono-culture whose main market had been the US. This policy was rapidly reversed for two reasons. The revolutionary government reluctantly accepted that the crop was ideally suited to Cuban agricultural conditions. More importantly, the Soviet Union in 1963 agreed to underwrite production through long-term commitments to purchase sugar at stable prices.

Assured Soviet and Comecon purchases on exceptionally favourable terms have been the central guarantee of the industry ever since. Over the past two decades, the character of the industry has changed substantially. There has been a switch from labour-intensive cultivation and harvest to mechanisation, and a move to develop bi-products to maximise the value of sugar and the cane.

The speed of this change has been conditioned by Cuba's ability to develop indigenous technology and manufacture its own machinery, coupled with the degree of access to external finance and assistance. On this score, the falling price of sugar on international markets has seriously undermined development. In the 1960s, for instance, 1,000 tonnes of sugar could purchase the equivalent of 12 harvesters, whereas now the same amount could buy only 1.5 harvesters.

Cuba would have preferred to obtain more equipment from the "capitalist" countries, but has had to make do mostly with less sophisticated East European products or rely on its own ingenuity – like designing its own harvesters.

Back in 1970, the harvest was still cut almost exclusively by hand with some 350,000 persons deployed in the fields. By the end of that decade, the workforce had been reduced to a maximum of 130,000. Since then, the numbers have fallen further so that in the current harvest the total labour force numbers 70,000. Over 70 per cent is harvested by machines.

However, the harvest still puts heavy demands on the mobilisation of labour. In order to find the necessary manpower, the Government is obliged to recruit some 15 per cent of the workforce by a special mobilisation of trade union units and the armed forces. The back-breaking toil of cane-cutting is less and less attractive to an increasingly well-educated nation.

According to senior officials in the Sugar Ministry, Cuba currently devotes 1.68m hectares to sugar cane. Yields per hectare have varied, falling to as low as 46 tonnes in 1980. The current harvest, it is hoped, should reach the 1979 high of 58.9 tonnes a hectare. Such swings are the result of the weather, combined with the degree of access to pesticides, the state of irrigation and the use of machinery.

A derivative is being used to produce newsprint

As a deliberate policy, the Government has reduced the practice of burning cane before harvesting. In 1980, 50 per cent of the cane was burned before harvesting, while that is now down to less than a quarter. This is being done both for ecological reasons and to permit greater use of the cane to produce by-products. While this policy has clear advantages, factories have to cope with the problem of sorting out the extraneous matter which comes in when the cane is not burnt.

Approximately 10 per cent of production is destined for domestic consumption. In 1987, 772,000 tonnes of the 7.23m-tonne production was consumed domestically. Of the remainder, 6.48m tonnes was exported. Over 80 per cent of the volume sold goes to Comecon countries, plus China.

The Soviet Union's share varies between 50 and 60 per cent of the total. Out of the total exports in the first nine months of 1988, the Soviet Union took 3.1m tonnes. Because of price support, Soviet purchases account for nearly 80 per cent of the total *value of sugar exports*. The Cuban authorities say the Soviets pay an average support price of US 40 cents a pound. (The exact price is believed to be the equivalent of 36-37 cents a pound). This is against the average international price last year of 8 cents a pound. Free market sales, meanwhile, in 1987, were worth $220m.

To cover costs, the Cubans cannot afford to see the international sugar price fall below US 12 cents a pound. Though prices are well below this, the Cubans still dream of reaching the 10m-tonne production target.

The industry shrugs off competition from artificial sweeteners and sees sustained demand within Comecon. The main expanding market is China where, in the first nine months of last year, purchases tripled in volume against the same period in 1987 to 1.2m tonnes.

On the by-products side, the Cubans entertain ambitious plans which eventually envisage almost 50 per cent of the industry being devoted to this sector. There are three main derivatives being worked upon – bagasse, molasses and cachaza. Of these, bagasse is being used in energy-saving, for manufacturing fibres, packaging and newsprint.

The equivalent of 1m tonnes of oil is currently being saved a year through bagasse and as an energy source in the plants. Experiments have also been made to produce newsprint and a provincial newspaper, Adelante, will now undergo a trial run for a year using bagasse-based newsprint.

Molasses are being developed to produce animal feed, enzymes, furfural urea, yeast and, of course, alcohol. Cachaza is being developed to produce animal feeds, oil resins and wax.

Of late, particular importance has been attached to cachaza. This had traditionally been jettisoned, contaminating rivers and soil surrounding the plants. Apart from cleaning up on this pollution, the authorities have successfully demonstrated that cachaza can be used to produce animal feeds. Shortage of animal foodstuffs has caused a drop in the country's cattle herd, and if cachaza can be successfully exploited in this sphere it will help to bridge the November-April dry months (the period of the sugar harvest) when animal fodder is scarcest.

Research has been going on since the research institute, ICIDCA, was established in 1963. Subsequently, this evolved into three separate institutes employing 2,600 scientists and technicians. These cover three basic sectors – cellulose, fermentation and sugar (for glucose-based products).

The pace of development is conditioned by budgetary constraints. Out of a total investment this year of $500m in the sugar and sugar cane sectors, only $35m has been earmarked for the development of by-products. Until this proportion increases, the by-products side of the business will continue in the shadow of the traditional side of the industry.

Robert Graham

Production plants are behind schedule

Nickel still no gold-mine

CUBA HAS such vast reserves of nickel that on current estimates it could sustain production of 100,000 tonnes a year for the next 200 years and more. These are among the largest high-grade reserves in the world.

However, efforts to maximise this major source of hard currency revenue and strategic trade with Cuba's socialist bloc partners have been both painful and disappointing. Production targets have fallen way behind and the development of the industry has been plagued with all manner of problems. Skill shortages, faulty technology and poor co-ordination between Havana and Moscow have all played a part in the industry's poor performance.

Nickel production and sales have been an area where successive US administrations have been particularly aggressive. Not only have US administrations sought to dissuade allies from Cuban nickel purchases but also from supplying machinery.

A good many of the technical problems that the industry has suffered have begun to be ironed out. Preliminary figures for 1988 suggest production of nickel was up by almost a quarter and is still rising, and should surpass the industry's historic high of 40,000 tonnes in the early 1980s. The latest nickel price increases indicate 1989 income will be up on last year's $450m sales. (Only 10 per cent of this latter amount was in hard currency).

Cuba could, with luck, have four plants on stream producing nickel by the mid-1990s. When current capacity is fully installed, production should rise from 37,000 to 100,000 tonnes. Nevertheless, Cuba is more than 10 years behind its original plans for production. From 1977-87, the industry absorbed $1.2bn worth of investment. This was principally devoted to building a Soviet-aided plant at Punta Gorda.

The island's nickel deposits run the length of a 150-kilometre ridge of mountains in the eastern region, facing the northern coast. The deposits have a high content of iron, nickel and cobalt. All mining is open-cast. The first commercial nickel plant at Nicaro was established with US capital in 1945 and by the time of the revolution, in 1959, a second plant was near completion at Moa.

A good many of the technical problems the industry has suffered have begun to be ironed out. Production last year was up by almost a quarter

According to Mr Walter Leo, president of Cubaniquel, the state nickel concern, the early post-revolution years were bedevilled by difficulties arising from nationalisation, the exodus of qualified personnel, shortage of funds and the lack of equipment and spares both to run Nicaro and finish Moa.

By 1970, the complexities of trying to run two American-conceived plants without direct access to US-made equipment led to a decision to re-construct them from scratch with Soviet and Czech assistance. It was also decided to build a 30,000-tonne capacity plant at Punta Gorda with Soviet grants and 12-year soft credits.

This plant, named after Comandante Ernesto Che Guevara, has been the prime cause of Cubaniquel's subsequent headaches. The degree to which things have gone wrong is eloquently demonstrated by the fact that trial production did not begin until 1986 – close on 10 years after the initial site preparations. Production at Punta Gorda has since risen from 1,000 tonnes in 1987 to 7,000 tonnes last year, with a projected 15-16,000 tonnes this year.

"Punta Gorda was a gigantic experiment," says Mr Leo, who was in on the project from the start. The Cubans gave the Soviets a brief to design a plant based on their familiarity with US technology, of which the Soviets had no experience. The properties of Cuban nickel were also unfamiliar to the Soviets.

At least part of the delays stems from having to experiment with, and match up, technology to the ammonium carbonate leaching process. In particular, there were problems in developing a satisfactory form of generating reducing gases from oil instead of anthracite.

There have also been difficulties with refractory elements. At the same time, a good deal of Soviet equipment has proved unsuitable to Cuba's tropical climate. On their side, the Cubans initially found it hard to attract labour to a scarcely-populated and inhospitable part of the island. They also admit to being inexperienced in managing the complexities of such a project with limited infrastructure.

So serious were the delays that Soviet television last year went public, not only admitting to a long catalogue of failing but openly shouldering much of the blame. To compensate, 1,200 technicians and specialist workers were despatched from the Soviet Union to ensure a speedy solution. The bulk will have left by the end of this year.

Mr Leo is confident that the lessons learnt will enable a fourth plant, under construction with Soviet and Czech aid at Camarioca, in the Moa region, to be completed smoothly by 1992. Cubaniquel has established its own polytechnic to cater for the industry's skill requirements. Meanwhile, the major supply bottlenecks and technical hitches have been ironed out in the construction phase of the plants.

The Camarioca plant will have a 30,000-tonne capacity like Punta Gorda. Together with Nicaro's 22,500 and Moa's 24,000, Cuba's potential will be over 100,000 tonnes a year. Depending on world prices and the ability to attract finance, Cuba could go ahead with a further plant since the country's reserves are large enough without depreciating them too fast.

Under agreements with Moscow, Cubaniquel says 50 per cent of production is earmarked for the Soviet Union. A further 25 per cent is sent to other Comecon countries. The remaining 25 per cent, in theory, can be sold in the free market. In practice, sales to the Soviet bloc have in recent years accounted for up to 90 per cent of production in order to meet Comecon commitments. The main non-Communist purchasers are Belgium, Italy, Sweden and West Germany.

Under price-support agreements in force since the early 1970s, Comecon has shielded Cuba from international nickel price fluctuations. Such compensatory payments ensured that in 1986 Cuba received support equivalent to $100m.

However, this year high world nickel prices have eliminated the need to resort to this support mechanism. Demand for Cuban nickel is now so strong that the normal three-month buffer-stock is virtually non-existent. Back in 1979, Cuba held the equivalent of five months' production in stock.

Although Cuba might be tempted to switch more nickel sales to freely convertible currency, current Comecon obligations make this impossible.

Nevertheless, as the cost of amortising Punta Gorda and Camarioca begins to be reduced by increased supply, Cuba would like to balance sales on a 65-35 ratio between Comecon and the free market. Sales to "capitalist countries" are on a cash basis. Countertrade has been tried only once with France's Creusot-Loire, and this was not considered a successful deal.

Robert Graham

"Bourgeois" fruit is being grown for export by socialist means

Conquering the citrus markets

IN THE early years of the Cuban revolution, the innocent orange was at one point condemned as a "bourgeois" fruit. Those were the heady days when enthusiasm and revolutionary fervour made up for what was lacking through supply shortages and rationing. Demand was suppressed through ideological means.

With the passing of time, however, practical economics and sensible nutrition have prevailed over ideology, and *the citrus industry has become* one of the fastest growing sectors in Cuba's economy. During the next decade Cuba is targeted to become a serious competitor in the international marketplace for the export of fresh citrus and frozen juice concentrates.

According to Mr Amado Alvarez, deputy director of Cubafrutas, Cuba's sole citrus marketing company, "by 1995 we aim to be exporting 100,000 tons of fresh citrus to Western Europe." He says that Cuba will be competing strongly in the market niche for pink grapefruit. And he estimates that Cuban juice exports could rise to some 30-50,000 tonnes.

A two-hour drive out of Havana towards the famous "Bay of Pigs", (where a US-backed invasion of Cuban exiles was defeated in 1961) is sufficient to see that the Cubans mean business. On entering Matanzas province, one sees that vast areas of once-unused stony scrubland have undergone a transformation. A horizon of parched thorn-bushes has been replaced by a mantle of neat, green citrus groves stretching out in every direction.

Water plumes from irrigation sprinklers sparkle in the sun. The Jaguey Grande plantation is a huge project by any standards. With 46,000 hectares already planted, 60 per cent in oranges, and two-thirds already in production, it is the focus of Cuba's drive to become one of the world's major citrus exporters.

By 1995, Jaguey Grande will have 60,000 hectares in production. Together with 14 other citrus plantations dotted around the country, a total of 180,000 hectares will be in production by the middle of the next decade, with an annual output of 2m tonnes of fruit and at a cost of an estimated Pesos 2bn in investment.

Nationwide output is now close to 1m tonnes a year, of which 200,000 tonnes goes to the domestic market, some 750,000 tonnes is exported to the Comecon countries under a reciprocal trade agreement and the rest is finding a growing market in the West or is crushed into juice. Last year 35,000 tonnes were exported to convertible currency countries, mostly in the EC.

The bulk of Cuba's output currently goes to the Comecon countries (primarily the Soviet Union and East Germany) where it is steadily displacing Mediterranean citrus producers' exports to the socialist bloc countries.

However, the Comecon agreement is flexible and Mr Alvarez says: "We have no limitations on the quantity we *are allowed to sell to the convertible currency countries.*"

As with many grand development schemes in Cuba, over-ambition, bad planning and inability to manage huge projects efficiently may nevertheless force the Cubans to scale back some of their targets. Mr Juan Sureda, the head of the Jaguey Grande project, admits that delays in delivery of important raw materials, whether fertilisers, spare parts or pesticides, have been a recurrent problem and that his project's dealings with other suppliers within the Cuban centrally-planned system are "too rigid."

Labour shortages are also appearing. Cuba's highly successful education system has produced an intelligent and well-trained workforce. Major labour-intensive projects which cannot be mechanised, such as the citrus programme, now face a scarcity of labour.

The Cuban answer has been to construct dozens of purpose-built high schools within the plantations themselves and to use student labour in what is known as a "study-work" programme to provide the bulk of the workforce. A total of 20,000 teenage students are needed to supplement the full-time labour force of 8,000 at Jaguey Grande.

"Every youth learns to take part in the production of the goods each enjoys"

Working three hours daily, the students not only pick the citrus, they also do much of the manual work such as moving the irrigation pipes. According to Mr Jose Fernandez, the Education Minister, the "study-work" principle is fundamental to the Cuban education system "so that every youth learns respect for those that do physical work and takes part in the production of the goods that each enjoys."

Student labour has become an economic necessity and will be a key factor in Cuba's export competitiveness. At Jaguey, 63 schools have been built, interspersed at regular intervals throughout the plantation, and some 20-25 more are planned.

The system is uniquely Cuban, although one cannot help note some comparisons with the Israeli kibbutz system. (Indeed, much of the early development of Cuba's citrus programme was carried out with Israeli help until relations were broken in 1967).

Another main centre of citrus production on the Isla de Juventud (Isle of Youth), where grapefruit plantations are due to be doubled to 22,000 hectares by 1992, relies on the same system, except that it uses foreign students on the island.

Although 20 more schools are planned at Jaguey, the post-revolution baby boom has peaked out, and project managers now express doubts as to whether sufficient students can be found in the region to provide the necessary labour for the plantations.

Mr Fernandez says that in the future every urban student in the 15-18 year age group will be enrolled in rural high schools. In the meantime troops doing military service are being drafted in to help with the harvest, while dozens of rural housing projects have been started to attract more labour to join the permanent workforce.

A further limitation to the citrus programme is being posed by water supply problems. Five years of drought have clearly adversely affected some parts of the Jaguey plantation, and the lack of a fully-integrated irrigation system is forcing the project into new investments in drip irrigation and micro-dispersion systems to economise on the available subterranean water which has to be pumped to the surface. But lack of the financial wherewithal and delays in the expansion of factories that produce the equipment are holding up its introduction.

Such limitations aside, the Cubans' tendency to throw tremendous energy and resources into projects, and to confront problems with almost military-style organisation, will ensure that sooner or later Cuba will have to be reckoned with as an important citrus exporter on the world market. Its identification of the citrus industry, as of tourism and nickel, as having a growth market internationally, and hence a long-term source of much-needed hard currency, signifies a strategic decision in the Cuban economy.

Like the monument to the defeat of the revolution's foes at nearby Playa Giron and the Bay of Pigs, the appropriately-named "Victory of Giron" citrus combine at Jaguey Grande is equally a monument to Cuban organisation and determination – only in this case the aim is to conquer markets.

Tim Coone

Success story of the fisheries programme

A fleet near full capacity

THE AMERICAN writer Ernest Hemingway probably did much to create the image of Cuba as a nation of fishermen in his classic, *The Old Man and the Sea.*

That tale of one man's determination in a battle against the elements to capture a huge fish could almost be a paradigm of Castro's revolution itself – the struggle of a man for his country's independence from the United States and for *its economic development*, and of his overwhelming belief in his own destiny.

While such single-minded determination may have not brought the desired economic results (in the Hemingway tale the fish escaped) the Cuban fishing industry has nevertheless been a success story. So much so, that after 30 years of steady development and $1bn investment – despite the closure of US and Bahamas waters to Cuban fishermen – the fishing industry has *reached maturity.*

Catches in Cuban waters have run up against biological limits. The deep-sea fishing fleet faces competition from other nation's fleets, and the worldwide extension of fishing limits to 200 miles restricts further growth.

According to Mr Jesus Benjamin, Cuba's Vice Minister for Fisheries: "We are at a ceiling of output. Apart from a few minor species, our own fish and shellfish stocks are now fully exploited."

Cuba has in fact built the biggest fishing fleet in the Caribbean. With 28 deep-sea trawlers and some 15,000 coastal fishing boats and trawlers of all shapes and sizes, annual catches now approach 250,000 tonnes a year.

Only 90,000 tonnes are caught in Cuban waters. The rest comes from as far afield as Newfoundland, Peru, the African coastline around Namibia and Angola and the South-West Atlantic north of the Falkland Islands. In the *case of Peru, a bilateral agree*ment allows Cuba to retain 70 per cent of the catch, the remainder being handed over as a compensatory fee.

Supporting the fishing fleet are the shipyards and shore processing plants in Havana and overseas bases in Peru, Panama, the Canaries and Vigo in Spain that together have created an industry employing 42,000 people. A measure of their importance to the economy is that the 16,000 trawlermen are the best-paid workers in the country.

There are two distinct Cuban fishing fleets with very different objectives. The inshore fleet concentrates on the capture of lobster and prawns for export. Earnings last year were $150m, all in convertible currency, making it one of Cuba's most important industries after sugar and nickel. The deep-sea fleet catches fish for domestic consumption, both human and animal. At 16kg per capita a year, fish consumption is now a principal source of protein in the Cuban diet, ahead of beef, chicken and pork.

Meanwhile, fish meal made from the less valuable species caught both in Cuban waters *and by the deep-sea fleet is a* valuable input for the Cuban livestock industry.

The ceiling on expansion of the Cuban fleets, imposed by natural resources and international catch agreements, has not put a limit to Cuban plans. Mr Benjamin says that the immediate aims of the industry are to maintain the existing levels of catches at sea, while future expansion will be based on aquaculture.

In 1964, in the wake of Hurricane Flora, reservoirs began to be built throughout the country as part of a water-management programme to control erosion and provide water for irrigation. Over time, their value as fish farms has also been recognised. Last year 16,000 tonnes of freshwater fish, mainly of the voracious Tilapia species, were harvested from Cuba's reservoirs.

The fish are spawned at 13 breeding stations around the country, seeded into the reservoirs and left to grow with no supplementary feeding. Mr Julio Baisre, an international fisheries and aquaculture expert, and head of research at Cuba's Fishing Ministry, says that trials with carp and catfish are also under way and that 45,000-tonne harvests are being *aimed for from the exist*ing reservoir resources over the next five years.

In addition, the first steps are being made in prawn culture from purpose-built farms and tanks. Last year 500 tonnes of farm-grown prawns were produced. Mr Baisre says that by 1992 they hope to produce 8,000 tonnes, thus tripling prawn exports. He says experiments are also being made to seed Cuba's sea-waters with the laboratory-bred spawn, to raise coastal stocks.

The fisheries programme has an annual investment budget of $50m, most of which is now being directed towards developing prawn output, says Mr Baisre. In the longer-term, lobster culture is also being considered, "although the technical difficulties are more difficult to surmount and it will probably be 2000 before we can be producing at a commercial level," he says.

One further possibility exists for growth, however. In 1977, under the US Carter Adminis*tration and a thawing of* Cuba-US relations, a five-year fishing agreement was signed allowing Cuban access to the US 200-mile fishing administration *zone* around its coasts. In practice, the treaty was never enacted by Cuba. According to Mr Benjamin, this was due to the difficulties of negotiating *with the individual* US states that are responsible for administering US coastal waters.

With an average utilisation rate of 220 fishing days a year, Cuba's deep-sea fleet is operating at near-full capacity. The chance of fishing nearer home however, and the over-capacity of the coastal fishing fleet would still make a new agreement with the US an attractive proposition for the Cubans.

It would therefore not be too surprising to see fishing as an area in which Cuba and the new Bush Administration might take the first steps towards rapprochement and a tentative new thaw in relations.

Says Mr Benjamin: "We are interested in fishing in US waters, but a new convention will be needed."

Tim Coone

The country aims to be a "medical power"

A picture of health

PUBLIC HEALTH was given very high priority by the post-1959 Government, with the result that Cuba has achieved levels of health care more normal in a Western than a developing country. Infant mortality has been reduced to 13.3 deaths per 1,000 live births, which compares with 10.2 in the US. Average life expectancy at birth now exceeds 74 years.

Cuban medicine already had a high reputation in the 1950s. Indeed, it is estimated that life expectancy at birth reached 60 years by 1960. However, access to public health care was very unevenly distributed, both between social classes and between urban and rural areas.

The Castro Government has placed strong emphasis on preventive medicine, which entails decentralisation of facilities throughout the island and free access to services. Other social policies reinforce the benefits of this restructuring, notably improvements in housing and sanitation and the raising of nutritional levels. The eradication of illiteracy has made active health education campaigns possible.

Considerable resources have been devoted to training, facilitating a reorganisation of the national health system, based on family practitioners, since 1983. Cuba now has over 26,000 qualified doctors, some 4,500 of whom are family practitioners. The sector plan to 1995 envisages this number rising to 20,000, roughly one for 500 members of the population.

Family practitioners are supported by a network of polyclinics which provide consultations, teaching and laboratory services. But as doctors are paid modest salaries, labour costs are not very high.

Cuba has also for some years been investing heavily in high-tech medicine — biological research, genetic engineering, new diagnostic techniques and new treatments and research. The Government has said its objective is to become a "medical power" capable of providing expertise and technological transfer to Latin American and other developing countries.

Cuban scientists have developed a new vaccine against the killer Group B strain of meningococcal meningitis at the Centre for Biological Research. This is likely to be the first such vaccine to complete efficacy trials anywhere in the world. The patent has so far been requested by 19 countries.

Another achievement is the development of an ultra-microanalytic immunoassay system, Suma, originally developed to test for congenital disorders such as Down's Syndrome, hypothyroidism and allergies. It is now available to all pregnant women.

Cuban specialists claim that Suma is much cheaper to operate than similar Western projects as it uses as little as 5 per cent the quantity of reagents and is much faster. This makes it potentially attractive for mass testing in Third World conditions. Brazil is reportedly interested in purchasing it.

Suma is being used in mass testing for AIDS: the Health Ministry planned to carry out 7m tests during the course of last year, including all hospital patients over the age of 14. All Cuban travellers returning to the country, and all foreigners arriving for a stay of over six months (with the exception of foreign diplomats) are routinely tested, and the test is repeated after six months. In a controversial attempt to contain the spread of the disease, identified carriers are isolated in a special sanatorium.

The main hospitals are well equipped with the latest in medical technology. Walk into the palatial marble entrance hall of Havana's Ameijeiras Hospital and you might think you were in a Zurich bank. The people who built it did in fact intend it to be a bank, but they had one floor to go when the revolution beat them to it.

Inside Ameijeiras you will find computerised axial tomography (CAT) scanners, microsurgery and even, perhaps, a brain tissue transplant. Cuba was the third country in the world after Mexico and Sweden to carry out this operation on Parkinson's disease sufferers, with encouraging results.

The Cuban Dr Alvarez Cambras has pioneered a technique at Havana's Frank País orthopaedic hospital which encourages bone growth. It uses metal "external fixators" attached to the bone through the flesh. Another Cuban invention is "melagenina" ointment, developed by Dr Carlos Miyares Cao for the treatment of the skin disease, vitiligo.

In 1983 Cuba held its first biennial "Health for All" medical technology fair. The 1987 fair lasted seven days and was attended by 282 companies, including many of the largest European and Japanese companies in the field. The organisers hope to attract enough overseas buyers to turn the event into a showcase for the Caribbean and Latin America.

Gareth Jenkins

ENERGY

The nuclear future

Ashley Ashwood

Oil pumps and drilling rigs along Cuba's north coast

A GOOD yardstick of Cuba's economic development over the past 30 years is provided by the strong and steady growth of its energy sector. The five oil-fired power stations, built with Soviet and Czech technology since the revolution, adding 2000 MW to generating capacity, are a source of pride to Cuban planners. Following the example of Lenin who, in Russia's immediate post-revolution era, made electrification of the country a top priority, Cuba has invested Pesos 2bn (US$2bn) in power generation and distribution since 1959, expanding its generating capacity eightfold.

Last year, electricity output reached 12,600 GWh, almost 60 per cent of which was consumed by industry. The expansion of basic industries such as steel, cement and chemicals, diversification into manufacturing and the connection of 1m more domestic consumers to the grid have produced a steady increase in demand which has averaged between 5 and 7 per cent a year. Oil demand has grown three-fold.

Unlike Lenin's Russia though, Cuba lacks any significant hydroelectric potential, and has no major proven hydrocarbon deposits, making it highly dependent upon imported energy supplies. Oil is the country's principal import. Under the present five-year plan, the Soviet Union is committed to providing Cuba with 67m tonnes of oil over the 1986-90 period.

What Cuba can save from that, it is permitted to resell on the world market, providing a useful source of hard currency. This has been as high as $500m in recent years ($527m in 1985), but the fall in oil prices and growing domestic demand have finally provoked a sense of urgency in developing Cuba's own energy resources.

There are two main directions — oil exploration and nuclear power. The intense oil exploration effort along Cuba's north coast has managed to raise crude output to 1m tonnes a year, but this meets only 10 per cent of the country's annual needs. Cuba publishes no figure of its reserves, but they are not thought to exceed five to 10 years of supply at existing output levels.

The high sulphur content of Cuba's hydrocarbons makes them more costly to refine and to add to the difficulties, some of the most promising deposits are located exactly where the most beautiful beaches lie. Last year this led to an intense conflict within the government over fears by those responsible for developing the Varadero peninsula that the unsightly oil wells nearby would put off tourists and could lead to ecological damage.

The debate was finally resolved by Fidel Castro himself, who ruled in favour of the tourists and the influx of hard currency they are expected to bring. But oilfield development continues in the nearby Cardenas bay, and doubts remain as to whether pollution might still remain a threat.

With similar ecological uncertainties, the other thrust of Cuba's energy development is the 1,600MW nuclear power station being constructed near the city of Cienfuegos on the south coast. The first 400MW reactor, of a total of four, was originally due to come on line in the late 1980s.

That date has been successively revised, due to technological difficulties and construction material shortages. The reactor is now not due to go critical for testing before 1991, and will not operate at full load before 1992. Western diplomats believe even those dates may be optimistic, as additional safety features are apparently being incorporated into the Soviet-designed reactor in the wake of Chernobyl.

President Castro has made emphatic reassurances regarding the safety of the Cienfuegos power station (it is a pressurised water type rather than the graphite-moderated type at Chernobyl) but it remains unclear if he stands by his earlier statement: "The energy of the future ... the energy upon which the future of mankind depends is nuclear energy."

Plans exist for the construction of two similar nuclear power stations, one on the north coast and the other in the west of the country, to meet projected growth in electricity demand into the next century. As yet, development of alternative energy sources such as wave or solar power has been virtually ignored. Long-term energy plans would thus seem to lie in the direction of further development of nuclear power.

The implications for Cuba becoming uranium-dependent rather than oil-dependent for its energy supplies are not entirely clear. Cuba now trains nuclear physicists and holds scientific interchanges with other Third World countries which have achieved technological independence in the nuclear industry, such as Argentina and Brazil.

What is certain is that the Soviet Union, beset with economic problems and the setbacks in its own oil and nuclear industries, will be anxious to reduce Cuba's energy dependence during the five-year plan beginning in 1991. During those years, projected growth in Cuba's nickel output is expected to increase oil demand by 1m tonnes a year.

On that basis, any further setbacks in either the Cienfuegos power station, or the oil exploration programme could create an energy gap in the mid-1990s. If that happens, Cuba would be forced to reassess not only its energy development plans, but also its entire industrial strategy.

Tim Coone

Despite snags, the technological achievements are impressive

Greeting the outside world

Ashley Ashwood

The bus never seems to arrive and, when it does, there is a full load of passengers

ON THE outskirts of Havana a new symbol of Cuban pride and achievement is in the final stages of completion. Expocuba is the country's first international exhibition centre. Built in record time, by "shock troops" of the construction industry, its dozen or so pavilions, spread out over a square kilometre, contain displays of the advances and achievements of Cuban technology and products over the past 30 years.

Cuba's mastery over the mysteries of nuclear power and biotechnology is revealed in working models and slick graphic arts in their respective pavilions. Meanwhile, at the other end of the spectrum, full-size railway rolling stock, shrimp trawlers, mechanised sugar harvesters and articulated trucks stand for inspection in the open air, as evidence of the advances made in the transport, fishing and sugar industries.

The exhibition was opened to the public last month to keep to the schedule set by President Castro, so visitors are presently being treated to the unplanned spectacle of technology in action; the flash and crackle of arc-welders and the crash of hammers against metal as the steeplejacks put the finishing touches overhead and cranes swing girders into position on the remaining, part-completed pavilions.

Expocuba is in fact a very good example not only of Cuba's advances but also of its infuriating shortcomings and the problems it faces in exploiting undoubted achievements. The multi-million peso investment, which includes a purpose-built railway line and a four-lane highway, suffers from a woefully inadequate train and bus service from the capital just 20 kilometres away. The only hand-out literature available on any of the stands is a booklet produced by the Armed Forces pointing out the vulnerable points of US battle tanks and aircraft.

Given that the exhibition is aimed as much at the outside world as Cuba's own population, these oversights are indicative of the country's 30 years of isolation and the frequently-encountered lack of understanding of how the outside world works. One of the aims of the exhibition centre is to attract foreign interest in Cuban industry and its products, both for export purposes and to promote inward investment. It is hoped that foreign countries and manufacturers will also be encouraged to participate in multi-national exhibitions in the future.

At another Cuban technology showpiece in Havana, the Centre of Genetic Engineering and Biotechnology, which was inaugurated in July 1986, Dr Manuel Limonta, its director, explained that it had been built in only two years at a cost of $110m "and which in a western country would have cost three to four times as much."

Cuba's interest in biotechnology began as recently as 1981 and it is already marketing cheap but accurate diagnosis kits for AIDS and other viral diseases, and has made major strides forward in the use of interferons in the treatment of various cancers. The enthusiasm and engaging personalities of the scientists working with him in the spacious, ultra-modern and spotlessly clean environment at the centre, contrasts sharply with the resignation and irritation in the bus queues outside Expocuba waiting for the *guagua* (bus) which never seems to arrive; when it finally does, it is already groaning under a full load of passengers.

Cuba is no longer what one might call a Third World country. For the advances made in health care, education and the nutrition of its people could certainly rank it among the top five in the league of developing countries. It has built a reasonably solid industrial base in energy, construction and steel.

The experience gained in stainless steel manufacture for the sugar and fermentation industries, the development and diversification of oil-refining capacity and its well-developed bio-medical sector give Cuba strong possibilities for expansion into the manufacture of sophisticated chemicals and pharmaceuticals.

Expocuba is Cuba's first concerted effort since the revolution to step into the world outside Comecon; a step clearly made in unison with diplomatic efforts to bring Cuba closer to Latin America once again, to adapt itself to a changing world which is no longer the one of the Cuban missile crisis or of the bearded cigar-smoking revolutionary.

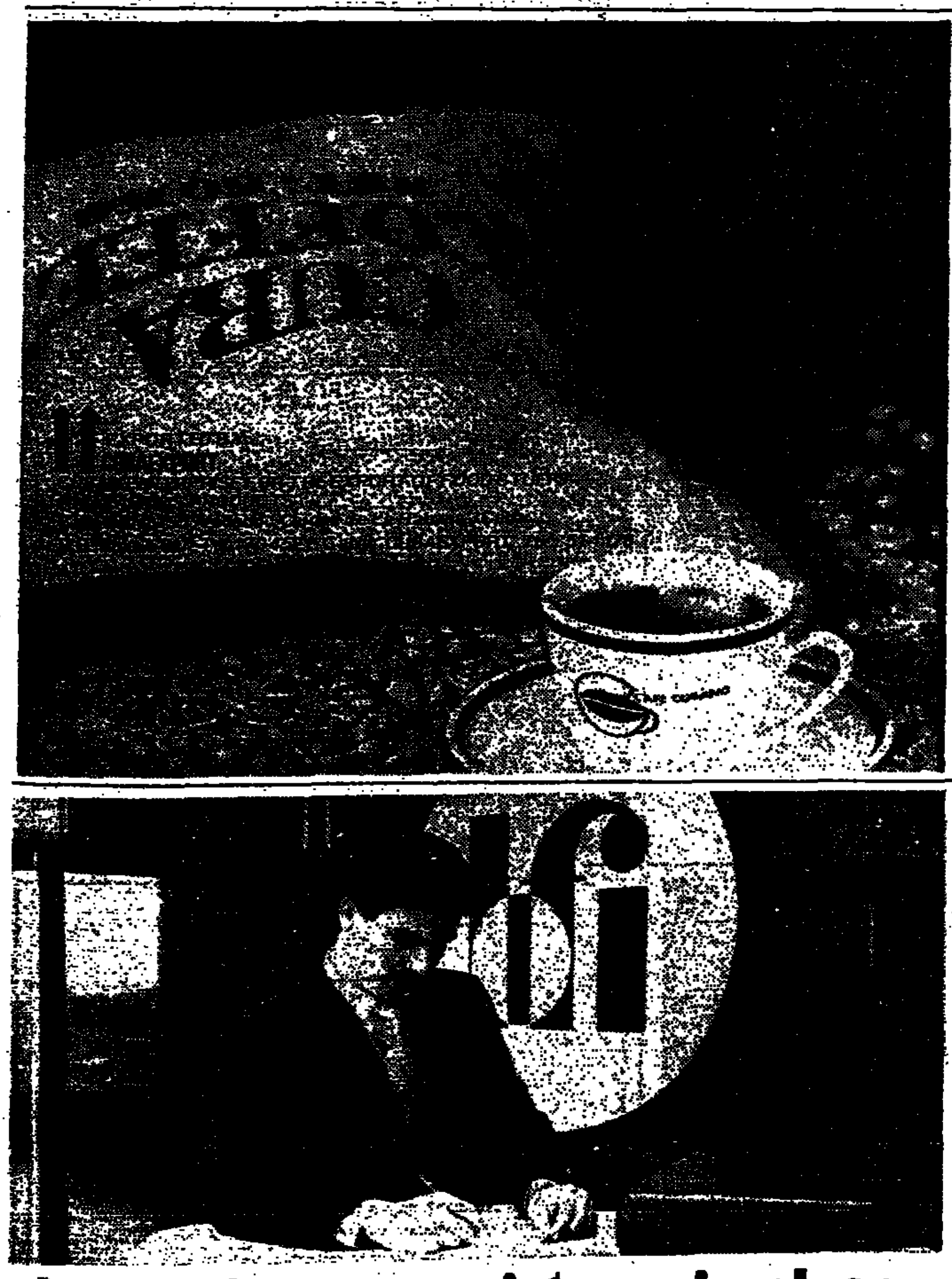
The fact of having taken that step is noteworthy in itself. It is a tentative signal that Cuba is looking to come in from the cold and that, for all its contradictions, it has genuinely something of worth to offer.

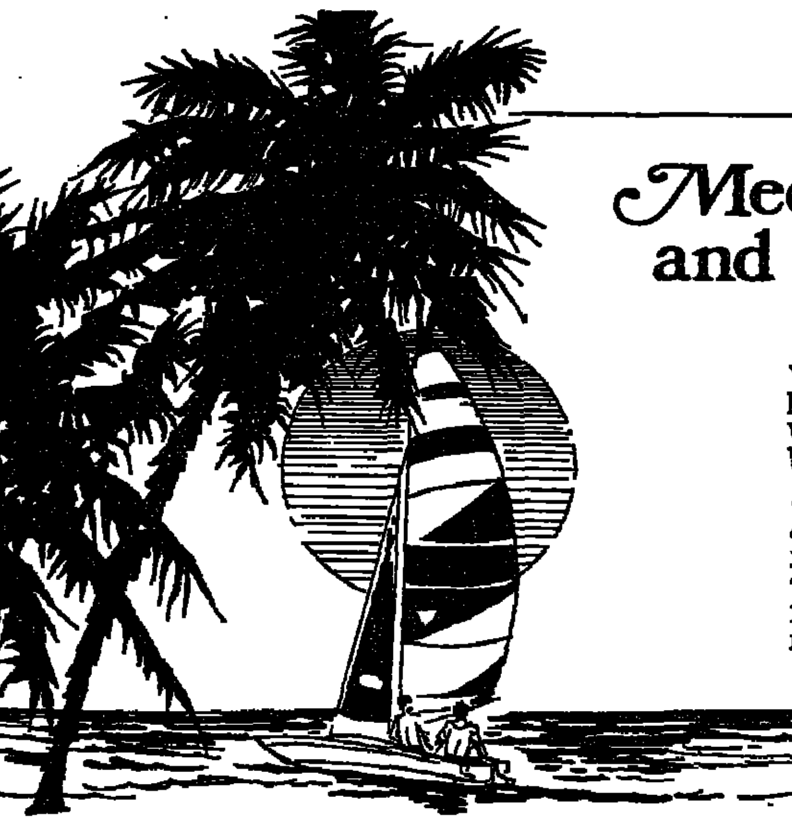
Cuba's next step must be to overcome its pride at having trod an independent path from the rest of the continent, and deal with the glaring inadequacies in its development that this has produced.

It is one thing to produce interferons, it is another to sell them to the rest of the world. Can Cuba supply its customers reliably when the workers that produce these quality products have to spend much of their time waiting for a bus, or standing in a queue for tomatoes? As a Cuban friend said: "It's 30 years now and we still have food rationing."

Expocuba says that Cuba has come of age. The rest of the world will now be saying "prove it."

Tim Coone





Tourism is seen as a top hard currency earner

Just pay in dollars

IF ONE were to start from scratch and design the perfect tourist location, with almost unlimited development potential, and a mass market sitting on its doorstep, Cuba would quite likely be the result.

As the biggest island in the Caribbean, with some 6,000km of coastline and a further 1,600 small adjacent quays and islands, Cuba abounds in virgin tropical beaches and coral reefs. It has cool mountains covered in luxuriant rain forests and old cities resplendent in their Spanish colonial architecture. Together with its rich and colourful history, the country is a hotel developer's and tour operator's dream.

It should not be surprising, therefore, that tourism development now ranks as one of Cuba's top economic priorities. According to Mr Alberto Betancourt Roa, the deputy minister for foreign trade: "Tourism will in future be our biggest hard currency earner."

The $120m in hard currency which at present comes in annually from tourism, is expected to grow as much as ten-fold by the year 2000: the result of an ambitious development plan which will increase the number of hotel rooms in the principal tourist resort of Varadero from 3,000 to 30,000 rooms, will expand and renovate the hotels in Havana and open up beaches and tourist resorts elsewhere.

The two state-run companies in charge of this development, Empresa Turista de Varadero (ETV) and Cubanacan SA are expected to complete 5,000 new rooms at Varadero alone in the next three years. According to Mr Abraham Maciques, the director of Cubanacan, by 1995 his firm will have completed 30,000 new hotel rooms throughout the country with a projected investment of $1.8bn.

To achieve this target, the Government has assigned its leading construction firm, Uneca, to take charge of the building of the new hotels. (Uneca is the firm that was building the runway on the island of Grenada before the US invasion of 1983). But even more significantly, Cubanacan, which was formed in 1987, has been accorded an unprecedented status that is unique in the Cuban economy. It functions as an autonomous enterprise within the state.

As one foreign journalist in Havana commented: "It is perestroika through the back door, although nobody dares call it that."

Cuban laws on foreign investment and labour codes have even been amended to give foreign partners management control in the new hotel developments, including control over staffing levels and the right to hire and fire. "For us the most important factor is not the capital but the know-how and marketing capacity of the foreign companies," says Mr Maciques.

He says that the aim is to provide quality service and good management to attract a more up-market tourist and to increase the average expenditure of visitors to $80 a day from the present $50. Cubanacan is focusing on four- and five-star hotel development.

Ashley Ashwood

Hotels under construction in the holiday resort of Varadero

So far it has formed six joint ventures with Spanish, West German and Austrian partners with foreign capital comprising up to a 50 per cent maximum of each venture's investment. Mr Maciques says that Cubanacan's partners "have some of the biggest tour operators in the world behind them, so we have no worries about achieving high occupancy rates."

Room occupancy rates at Varadero currently run at a very acceptable average of 75 per cent throughout the year and even the slacker periods for foreign tourists, around May-August, are then made up by the influx of Cuban tourists taking their summer holidays. A director of ETV says that many Cuban tourists have to be restricted to only one week's stay at a time because of the lack of room space.

At present, the biggest single category of foreign tourists is from Canada, although there has also been rapid growth from West Germany, Italy and France over the past three years. According to Mr Maciques, when the extension to the Varadero airport is completed in September this year the Western European market should grow rapidly with the availability of direct flights and the ability of the airport to accept large capacity jets such as the 747 and the DC10.

Mr Juan Barrera, the director of ETV, says that the airport has so far been the main bottleneck to more rapid expansion of Varadero, the other being the lack of multilingual staff in the hotels. "The language problem will take a little longer to resolve, but we now have a training school at Varadero." Language training is now part of the curriculum for the school's 500 students, alongside their studies in catering and hotel administration.

Hotel and restaurant staff wages have been raised to some 30 per cent above average levels for factory-floor and office jobs, to attract better employees and to act as an incentive to improve standards in the service sector. Mr Barrera says that the percentage of Canadian tourists who return for a second holiday in Cuba are still only some 16-17 per cent. "The ideal target would be 30 per cent, but we are on an upward trend."

Public transport continues to be a problem in Cuba. Indeed, it has even deteriorated in the past few years due to foreign exchange shortages. That makes both urban and inter-city travel difficult, for those visitors that wish to rub shoulders with everyday Cubans and not have to depend upon group tourist buses, hire cars or "turistaxis" that have to be paid for in US dollars. As one Brazilian tourist visiting Cuba on a shoestring budget commented: "It is rather odd that in a country with no economic relations with the US, the only currency a foreigner is allowed to use here is US dollars."

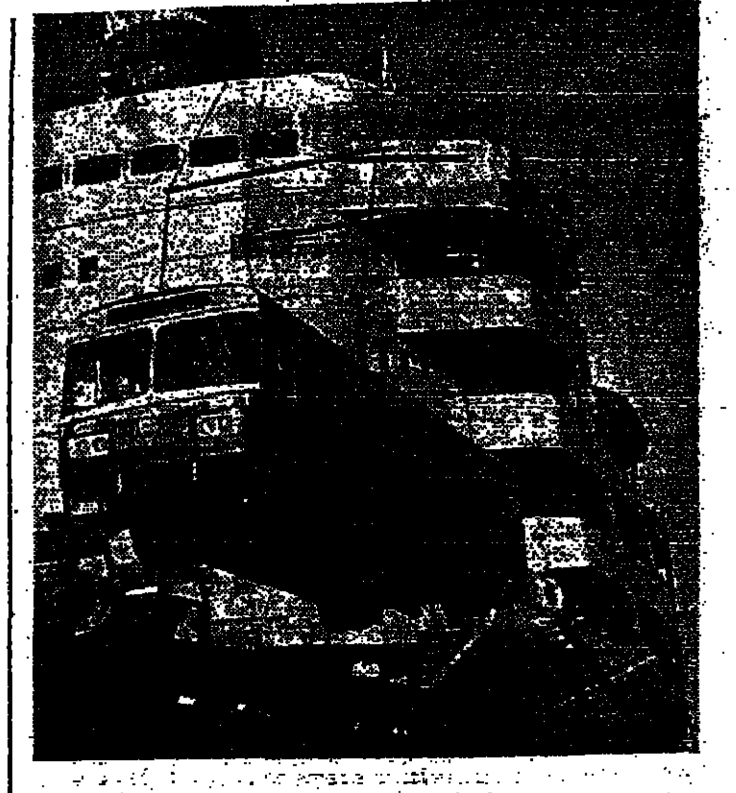
The dollarisation of the tourist market is highly developed, with few purchases in local currency being feasible apart from books, unfashionable clothes, and maybe a coffee at a roadside refreshment stand. This sometimes creates tensions in restaurant queues when dollar-wielding tourists sweep past local Cubans who have sometimes had to queue for hours to obtain a table. The reason is clear enough, to keep the flow of dollars through the black market to a minimum, but as the influx of foreign tourists grows the problems are likely to increase.

Mr Maciques says that the development plans do not depend on an opening up of the US market, but nevertheless they do take such a possibility into consideration. An estimated 3m US visitors travel to the Caribbean each year and just a 1 per cent diversion of those to Cuba would more than double the existing number of foreign tourists visiting the island.

Should a thaw in relations occur, the existing facilities could be in danger of being swamped simply from the scores of thousands of Cuban exiles living in Miami who would most likely wish to visit their country after so many years of absence. "But for every Cuban exile, there would be three or four other Americans interested in coming," says Mr Maciques.

Thus, if Cuba can iron out the crinkles in its tourism development plan, there is a real possibility that tourism may once again becoming one of its biggest money-spinners. For Varadero is just the beginning: Cayo Coco, a 35 km stretch of virgin white sand, coral reefs and crystal-clear water has been earmarked for the next phase of development towards the end of the century. "Cayo Coco has the capacity to absorb 40,000 hotel rooms. It is another Varadero," says Mr Maciques.

Tim Coone



Leyland's best

THE 1984 contract awarded by the Cuban Government to British Leyland for the supply of 450 buses was the company's largest in two years and went ahead despite US pressure. The buses became the work-horses of the country's inter-city and long distance passenger transport.

Despite intense use, the buses proved exceptionally robust. Most have now either been retired or restricted to shorter routes in the interior of the island, based round Villa Clara. Of the Olympic 111 models, there are 19 operational, only three with the original engines.

A further 20 of Olympic 70 are in use. The Ministry of Transport regards the Leyland bus "as one of the finest pieces of equipment used since the triumph of the Revolution."

Robert Graham

CIGARS

A glow in the Havana trade

FOR CIGAR smokers, the date of March 2, 1961 is, to borrow a phrase from Franklin Roosevelt, "a day that will live in infamy."

It was on that date that President Kennedy of the US, in office just six weeks, announced the imposition of an immediate ban on all imports from Cuba, then at the height of its anti-capitalist, revolutionary fervour, marked by wholesale nationalisations without compensation of virtually all its industries, many of which were US-owned.

The trade embargo meant an immediate stoppage of shipments to the US of such Cuban staples as sugar, refined petroleum products, nickel, rum, tobacco and the product for which the island republic is most famous, hand-rolled cigars. Mr Pierre Salinger, the president's ebullient press secretary, now head of the US ABC News network in London, recalls that momentous day as if it were yesterday.

"The president called me into his office one night and said: 'I need 1,000 cigars fast. Go out and see what you can do before tomorrow morning.' He smoked petite Upmann cigars at the time, and didn't say why he needed them. I saw him the following morning and told him: 'I did better than expected. I've got you 1,200.' He thanked me, then took out of his drawer the Cuban trade decree."

An early example of insider trading at the highest level, perhaps, but 28 years later, the trade embargo is still rigidly enforced; with few government-approved exceptions, no Cuban goods may officially enter the US. Unofficially, it is another matter. For decades, cigar merchants abroad, especially in the UK, Canada, Spain, France and Switzerland, have been deriving a substantial portion of their earnings from US tourists.

The merchants will now package Havanas anonymously, removing incriminating cigar bands and steaming or burning off cigar box labels. "Just tell New York customs that they're from the Canary Islands," they counsel their American customers, and occasionally admit to inquisitive journalists, though never for attribution.

There is no telling just how much this business is worth, but that it goes on is proof positive that the Cuban cigar industry did not collapse as a result of the loss of its biggest foreign market.

Indeed, despite the emergence of the anti-smoking lobby, the trade is in surprisingly good health after some admittedly bad years, not helped by the decision five years ago by President Castro to give them up – a serious blow by any standards to the export efforts of a country badly in need of public relations.

Mr Francisco Padron, the head of Cubatabaco, the state monopoly, said in an interview in London recently that the country was producing 300m cigars a year, most of them hand-made. That is about what was produced before the revolution. Spain, Cuba's colonial master from the days of Columbus until independence in 1898, remains by far the biggest importer, taking some 30m a year, followed by Switzerland at 10m, France at 9m and the UK 5m. Mr Padron claimed that some 1m a year sold in Moscow find their way into the diplomatic pouches of US embassy officials.

A total of 80m cigars are exported yearly, not to mention millions more sold at Cuba's dollar shops to tourists. In all, the trade is worth about $50m a year in hard currency to Cuba's troubled exchequer.

Until the early 1980s, Cubatabaco had left the responsibility for marketing entirely in the hands of foreign importers, such as the Tabacalera monopoly in Spain, the Regie de Tabac in France and a core of individual importers such as Hunters & Frankau, Joseph Samuels and Knight Brothers in the UK and Davidoff and Gerard Pere et Fils in Switzerland. In recent years, Cubatabaco has undertaken what for it is an aggressive, selective campaign in the West. "We are only just beginning to learn about marketing," says Mr Padron.

This is good news to importers, who well recall the tough times the trade went through in the years following the revolution of 1959.

The impact of the revolution was not immediately felt, and the Castro regime went through an 18-month honeymoon lasting before its nationalisation intentions became clear. As a result, the halcyon days of the cigar trade in the 1950s looked like extending into the 1960s.

As historian Hugh Thomas points out in his book, The Cuban Revolution, some 350m cigars were smoked in Cuba and another 40m or so were exported in 1957. Tobacco was grown on a quarter of all farms. Workers in tobacco factories numbered 35,000, and there were 50,000 tobacco selectors and 8,000 twisters of leaf. Farmers included, the sector employed 130,000.

The cigar trade produced about 1,000 different brands, many of them "own label" marques for specific clients, including many of the world's famous restaurants, such as Rules in London. According to US trade figures, the US imported 11m cigars in 1949, and US itself produced 141.5m cigars made from Cuban tobacco. The import figure rose to 28m by the end of the Batista regime.

The industry was dominated by American-owned groups, among them the Cuban Land and Leaf Tobacco Company and the American Tobacco Trust, now American Brands, proprietors of such famous, and now passée, marques as La Corona and Henry Clay. Even well-heeled individuals, such as film magnates Sir Alexander Korda and Daryl Zanuck of Twentieth Century-Fox, teamed up to buy a piece of the action to feed their enormous consumption, reckoned to be two boxes a day between them.

The big cigar producers before the revolution were Menendez Garcia, Cifuentes, Tabacos Rey del Mundo, J. Palacio, Tabacalera Moya and Romeo y Julieta, the last brand being the favoured marque of Sir Winston Churchill.

All of this came to an end with enforced collectivisation, under the supervision of Ernesto "Che" Guevara, who took control of the industry in the early 1960s. It was not a pleasant time. Importers found their supplies drying up, and began to turn to other sources, such as Jamaica and the Philippines. In more recent years, other locations such as the Dominican Republic, Honduras, Brazil, Puerto Rico and Florida have moved into the field, where their cigar production is almost invariably dominated by expatriate Cubans.

The refugee problem immediately savaged the Havana cigar trade, as did the new Government's proposal that all the famous old brands be scrapped in favour of a generic "people's" cigar. Pressure from importers and recognition by the Government that it could not sustain a prolonged loss in hard currency earnings from the Havana trade persuaded it to maintain several dozen of its most famous names.

The long, slow road to recovery got under way in the 1970s, though it was not helped by serious crop losses at the end of the decade caused by the "blue mold" epidemic. As importers will attest, sailing has been much smoother in the 1980s, and the Havana cigar trade has in effect regained its supremacy over "made-by-Cubans" importers from neighbouring states.

That is, except for the US, whose smokers rely exclusively on non-Cuban hand-mades, many of them bearing famous names such as Upmann and Partagas, though without the critical Cuban Government seal of authenticity. European importers acknowledge that there could be a shortage of Havanas should trade peace break out between the US and Cuba after 28 years of embargo. There will certainly be a loss of US tourist custom this side of the Atlantic and there would be a wrangle over brand names. Only a few brands, such as Bolivar, Romeo y Julieta, Davidoff and Dunhill, are protected Cuban marques. Dunhills in London recently stepped up its imports of Havanas and, among all brands, is probably best poised to serve the US market if the barriers come down.

Meanwhile, Cubatabaco is devoting its attention to protecting the trade name of Cuban tobacco and promoting its image. It has taken out some 80 legal actions against misuse of the name and counterfeit operations (especially filling the shelves of duty-free shops). Of these actions 40 have been settled out of court. The company is also reviewing its European retail activities in the light of 1992, trying to ensure more direct control of distribution.

Mr Padron of Cubatabaco says Havana would welcome a revival of US trade but adds: "As for the problem of the different brands, that is not for us to solve. The Europeans, who supported us through these difficult years, would continue to get priority treatment – the US could have whatever is left over."

Frank Gray

FINANCIAL TIMES
COMPANIES & MARKETS
Friday February 17 1989

INSIDE

VW makes good start to 1989

Volkswagen, the West German motor group, is expecting another strong year in 1989 after increasing earnings and improving its cost structure during 1988. Car sales have been buoyant recently, despite expectations of a downturn in major European markets, and Mr Carl Hahn, chairman, says: "It seems after such a good December and January that the optimistic forecasts in our budget for 1989 will be reached." Page 24

Sweet and sour Caribbean

The days when sugar was King in the Caribbean are long gone. Low world prices mean that a large part of the region's crop is produced at a loss and the industry is in decline. Sugar exports are still a vital source of hard currency earnings, however, and the labour-intensive industry remains a very important employer. Canute James looks at how Caribbean countries are confronting the dilemma this poses. Page 32

Telco at the crossroads

There is a good deal of soul-searching going on at Telco. What India's largest vehicle manufacturer and second-largest private-sector group has to decide is whether it, like other East Asian car makers, should push hard into world markets. Also on the agenda is the possibility of drawing on the resources of its parent Tata group to make a breakthrough into new product areas, such as electronics and aerospace. David Housego in New Delhi explains how Telco, headed by Mr Ratan Tata (above) has already begun to place more emphasis on exports. Page 23

BT growth rate slackens

British Telecom's pre-tax profits reached £623m in the three months to the end of December 1988, a 7 per cent increase on the £582m of the comparable period in 1987. The results represent a slight slowing of the company's growth, which has been running at about 10 per cent on a year-on-year basis in recent quarters. Page 31

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
D. Babcock	177	+	4	Cap Gemini	2650	+	115
Dresdner Bk	310.5	+	3.5	Club Med	1050	+	69
Feldmuehle	300	+	4.5	Valeo	315.5	+	13.5
Falls				Falls			
Cont Gummi	245.5	-	5.5	Bongrain	2600	-	89
Medef Comp.	210	-	7.5	Essilor	330	-	7
Veg	254	-	5	Pernod	1650	-	82

NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Amer Gp	34½	+	4½	Hitachi Chem	2400	+	250
Emhart	37⅛	+	4⅛	TYK	978	+	100
Merck	64⅝	+	1⅞	Tomei Trans	1560	+	100
Pan Caribbean	37¼	+	7	Falls			
Tambrands	65¼	+	2½	Daiko Kogyo	1570	-	70
Falls				Japan Casting	980	-	70
Jepson	11¼	-	1¼	Sanki Eng	1080	-	70

LONDON (Pence)							
Rises				Arcolite	215	-	11
Acceptor	535	+	11	Brit. Telecom	277	-	5
Beecham	571	+	8	Consolidated Pt.	189	-	7
Bell Bros	145	+	15	Jaguar	305	-	8
Carlton Comm.	847	+	16	Land Sec.	568	-	11
Cenvol Gp.	138	+	12	Laporte Inds	400	-	11
Jackson Bourne	145	+	25	Lloyds Bk.	371	-	9
Lonrho	144	+	7	MEPC	558	-	11
Latham (J.)	325	+	15	Racal Elect.	327½	-	11½
Plessey	638	+	22½	STC	312	-	5
Thornton	156	+	7	Storehouse	170	-	9
Falls				Wellcome	477	-	6
Austin & Hatch	218	-	25				
Anglo-Cont Pk.	83	-	[illegible]				

Ford advances strongly for third year running

By Anatole Kaletsky in New York

FORD, the world's second largest automotive manufacturer, made record profits in 1988 for the third year running. All the earnings increase was due to Ford's performance in the booming European car market, while US automotive profits fell almost 10 per cent.

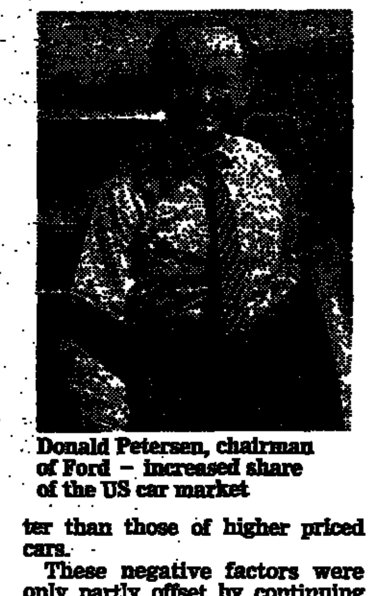
Earlier this week, General Motors reported record results which displayed a similar geographical pattern of big advances in Europe offsetting a flat performance in the US.

Ford's annual income of $5.3bn or $10.96 after tax was 14.6 per cent up on the $4.62bn or $9.05 reported in 1987. Its income in the fourth quarter was $$1.16bn or $2.42 a share, 24.2 per cent higher than the year-earlier profit of $932m or $1.87.

The results were in line with analysts' expectations and Ford's share price was unchanged for most of the morning at $54¼.

US automotive profits were down 9.4 per cent at $2.5bn, while overseas profits more than doubled from $1bn to $2.1bn.

Ford said its US profits were hit by high marketing and product costs as well as an unfavourable mix of products, with sales of lower-priced models growing faster than those of higher priced cars.



Donald Petersen, chairman of Ford – increased share of the US car market

These negative factors were only partly offset by continuing improvements in productivity and growing market share. Ford increased its share of the US car market by 1.5 percentage points to 21.7 per cent, the highest level in 10 years.

In Europe, the company said it benefited from record industry volumes as well as operating efficiencies.

Strong market conditions also boosted profits in Asia, while in Latin America, Autolatina, the newly-formed joint venture with Volkswagen, produced "favourable results."

Factory unit sales of cars and trucks in the US and Canada increased by 4.8 per cent to 1.076m. Unit sales in the rest of the world grew by 20.9 per cent to 607,415.

Ford's worldwide revenues increased by 16 per cent to $92.4bn. This was a much faster growth rate than the 8 per cent reported earlier this week by General Motors and put Ford, which overtook GM in terms of profits two years ago, less than 20 per cent behind its traditionally dominant US rival in terms of sales.

Ford's fourth quarter revenues were $23.9bn, 14 per cent higher than the year before.

Ford's financial service operations contributed $691m to the year's net earnings. This was 19 per cent lower than in 1987, reflecting lower net interest margins and higher credit losses.

Generale de Banque plans capital increase

By Tim Dickson in Brussels

GENERALE de Banque, Belgium's largest bank, yesterday announced a three-part capital increase which will boost its equity by BFr13bn ($340m) and strengthen its already close links with Banque Generale du Luxembourg.

The main feature of the operation is a one-for-six rights issue for existing shareholders at a price yet to be announced.

There will also be an issue to Banque Generale du Luxembourg of 120,000 new shares (equivalent to 1 per cent of the Belgian bank's capital) as well as a small capital issue reserved for bank staff.

The bank's share price eased BFr40 yesterday to close in Brussels at BFr6,530.

Generale de Banque is currently going through an important transitional phase under its new chairman, Mr Paul-Emmanuel Janssen, brother of the chairman of Solvay, Belgium's major chemical group.

In particular, the bank is working towards a February 1991 deadline for full integration with Amro Bank of the Netherlands, though Mr Janssen surprised many analysts by highlighting the problems of the planned merger in a joint interview this week with the news agency Reuter and the Financial Times.

In announcing the proposed capital raising measures yesterday, Generale de Banque confirmed that it intended keeping its stake in Banque Generale du Luxembourg at 44 per cent.

It said: "The two banks are strengthening their links with the aim of promoting joint initiatives and preparing for the challenge posed by the European single market."

This was being done "as part of the integration process being studied by Amro and Generale de Banque."

At the moment, Amro and Generale each hold just under 10 per cent of the other's stock.

The issue of shares to Banque Generale du Luxembourg will take place on March 21 at the average market price in the days before the operation, adjusted to allow for the difference in dividend rights.

At the same time, the conditions governing the rights issue and the issue for staff will be decided, with the price to be fixed on March 31.

BP profits rise 10% to £1.43bn

By Max Wilkinson in London

BRITISH PETROLEUM yesterday announced an increased dividend of 13.5p per share for 1988, 1p higher than for 1987, with a 10 per cent increase in its after-tax profits on a replacement cost basis.

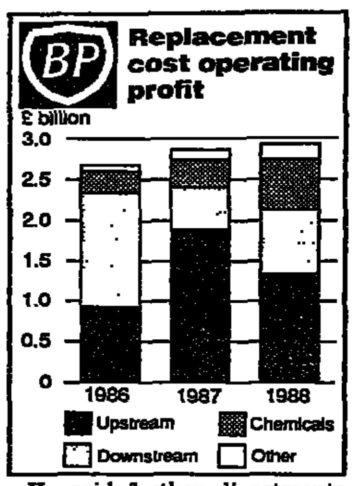
The results followed what Sir Peter Walters, the chairman described as "a very solid underlying performance", despite the company's recent efforts to free itself from the dominance of a 21.7 per cent Kuwaiti shareholding and negotiations to sell its minerals business to RTZ for $4.3bn.

In the last three years, BP has maintained a remarkably steady profit record on a rising trend, despite large swings in the oil price, which have been reflected in widely differing contributions from its exploration and production, refining and marketing and its chemicals operations.

In 1988, a 30 per cent fall in exploration and production profit to £1.38bn was offset by a 62 per cent rise in refining and marketing profits to £769m and a 126 per cent profits rise for the chemicals sector to £514m. The minerals operations increased profits 141 per cent to £304m.

The group's results for the full year showed an after-tax replacement cost profit of £1.43bn compared with £1.39bn in 1987. On an historical cost basis which includes stock losses resulting from a lower oil price, after-tax profit fell from £1.39bn in 1987 to £1.21bn. Earnings per share fell to 20.0p compared with 24.9p in 1987.

Sir Peter told a press conference that these results had been achieved in a year in which the world oil price was $3.5 per barrel lower than the average for 1987 and 25 per cent lower in sterling terms.



He said further divestments were likely in the coming year to help reduce BP's debt in relation to its equity, but the disposals other than the minerals business would be relatively small, perhaps totalling around £600m.

He also said that a major purchase was unlikely this year, because the company will be trying to strengthen its balance sheet after the purchase in 1987 of the minority of Standard Oil of the US which it did not own, the purchase of Britoil in 1987 and 1988 and the recent purchase of just over half of the Kuwaiti shareholding.

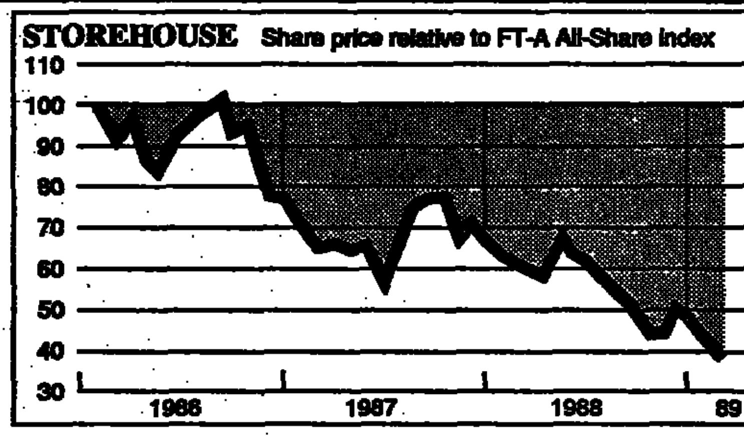
The ratio of debt to debt plus equity, which rose to 50 per cent after the share re-purchase, is expected to come down to below 40 per cent by the end of this year.

The group's underlying cash generation has been running at about £4bn a year, although the figure was reduced to £3.49bn last year as a result of special factors.

Lex, Page 18, Exxon bullish on prices, Page 32

Michael Julien

STOREHOUSE Share price relative to FT-A All-Share index



Coming to see troubles in store

Maggie Urry looks at the problems that led to Storehouse's dramatic rationalisation programme

Just give me three years. That was the confident cry in January 1986 from the urbane Sir Terence Conran, then the retailer with the golden touch, as he put together what at first glance seemed a rather improbable merger.

One partner was his Habitat-Mothercare group, selling trendy products in niche areas of home furnishings and childcare. The other was British Home Stores, a huge but dowdy high street giant which had long played second fiddle to Marks and Spencer.

The combined group was given a fashionably simple title: Storehouse. The plan – which a somewhat dubious City of London swallowed in the middle of a retailing boom – was for Sir Terence to inject his undoubted design skills into BhS. But, as he insisted, this would take time.

Almost exactly three years on, and with deeply ironic timing, Storehouse yesterday unveiled a drastic rationalisation programme which will cost £49m in exceptional provisions and slash pre-tax profits to well below last year's £107.3m.

Difficulties at Storehouse are not entirely new. It was the group's lacklustre profits performance which attracted two cheeky bids, or bid approaches, in recent years from the small company Benlox and from Mountleigh, the property business. A further sign of vulnerability to a bid has been the acquisition in recent months of 6.1 per cent stake by Mr Asher Edelman, the New York arbitrageur.

Acknowledgement that a shake-up was needed came last June when Mr Michael Julien was appointed as chief executive, taking over the day-to-day running from Sir Terence.

Yesterday's announcement represented the first fruits of the strategic review Mr Julien set in train shortly after his arrival. And it underlines the scale of the problems at Storehouse, the reasons for them, and the prospects for the company to recover – or be taken over – against what has become a depressed and cut-throat retailing background.

Many of the group's current difficulties seem to stem from managerial problems. Sir Terence, who founded Habitat in the 1960s, built it up, took it public, and went on to take over other retail groups, has had clear talents as a designer who could appeal to the mass market consumer as well as the style-conscious middle classes who flocked to Habitat in its early days.

Yet he was obviously frustrated by the nitty gritty work involved in running the large public company Storehouse had become – as acknowledged by the appointment of Mr Julien.

Furthermore, with the benefit of hindsight, the group failed to implement important structural changes at the time of the merger and did not keep as ruthless a check on performance measures – such as stock control – as it could have done.

"To be blunt," admitted Mr Julien yesterday, "the provisions we are making today are really only those that should have been made at the time of the merger in 1986." The new moves include:

● A drastic tightening of stock levels and writedowns.

● A tightening of distribution, including the closure of one warehouse. This will mean several hundred job losses, with a provision of £9m to cover this.

'The provisions we are making today are really only those that should have been made at the time of the merger in 1986' – Michael Julien

● Developing compatible information technology across the whole group and reducing the number of data centres from six to two.

Mr Julien is convinced that yesterday's provisions are a one-off measure. "There will be no more write-offs," he asserts, "that's why I took time to do it." By taking a tight grip on the group and containing costs he hopes that Storehouse can ride through the storm which is buffeting the retail sector at the moment.

Yet analysts suggest that if these actions had been taken three years ago when the retail sector was still booming, Storehouse might never have had to go through this pain. Now, when times are tougher, it looks all the harder to do.

Storehouse had a poor Christmas trading period, with sales down by over 2 per cent in the vital four weeks to mid-December. Sales in the second half are only 3 per cent up, which means that volume in comparable stores is slightly down. The effect that falling volume has on margins, in a business with high fixed costs, is dramatic. Analysts doubt whether the cost cutting moves will be sufficient to make up for any larger volume fall.

Moreover, analysts believe that not all the blame for Storehouse's current trading problems can be put on the recent increases in interest rates. Other stores groups have not apparently suffered as severely.

Both Mr John Richards, retail analyst at County NatWest WoodMac and Mr Nick Bubb his rival at Morgan Stanley, say that the heart of Storehouse's problem is that it is not generating the sales volumes it should.

Mr Julien agrees, saying "the way forward for Storehouse clearly depends critically on getting the sales line up, getting the customers into our stores and shops and persuading them to spend their money on our merchandise and not somebody else's."

BhS, which is by far the largest contributor to the group, has undergone a major redesign, but this has perhaps confused customers in the short term. Its new clothing ranges have won plaudits from fashion journalists, but to an average shopper brighter, better designed goods suggest higher prices.

The BhS advertising line is that "everything's changed but the price." Its position is still that of a value-for-money store, but with an improvement in quality. Storehouse says the new BhS shops are seeing sales gains of 10 per cent more than the old ones and Mr Julien argues that it takes a long time, perhaps years, to change a shop's image in the eyes of its customers.

Though the group is clearly vulnerable, it would be a brave predator who launched a bid now, given the company's basic financial data. Analysts, who had already downgraded forecasts sharply, are now looking for around £65m to £70m before the £49m exceptional item. After that item, the £36m dividend will not be covered – yet Storehouse has decided to maintain the payout, justifying that by referring to the group's financial position and future prospects.

But for that decision, analysts say, and the residual bid hopes, the shares would have fallen far further than the 9p they dropped to close at 170p last night.

Yet, even with the £100m addition to assets through a property revaluation, net assets per share are estimated by the City at around 140p.

Even without a bid, Storehouse has a long haul back to City favour. The analysts think that next year's profits will at best show only a slight improvement from the pre-exceptional level. Mr Julien said yesterday: "We are being realistic. We are promising no quick fixes." But nor was Sir Terence three years ago.

Fresh skirmishing by Plessey and GEC

By Hugo Dixon in London

PLESSEY, the British electronics company, delivered a stinging attack on GEC of the UK and Siemens of West Germany over their plans to "carve" it up in a letter sent to both its and GEC's shareholders yesterday.

Sir John Clark, Plessey chairman, told shareholders that they would get the best out of their investment if Plessey remained independent. Carving the company up would destroy the advantages of Plessey's integrated operations, he maintained.

GEC immediately hit back by pointing out that Sir John had consistently sold Plessey shares over a number of years. He held 776,319 shares at the beginning of this year, down from 1,041,990 at the end of March 1984.

"If shareholders of Plessey should wait until the full value of their shares becomes apparent, how strange that Sir John Clark is a persistent seller of shares year after year and, in the current year, even at as low a price as 154p," Mr Malcolm Bates, GEC deputy managing director said. Plessey's shares closed last night at 255p.

Sir John was particularly critical of new plans by GEC and Siemens for dividing Plessey's defence business between the two companies.

INTERNATIONAL COMPANIES AND FINANCE

Montedison hits fresh problem on Ausimont

By Alan Friedman in Cologne

A CONTROVERSIAL attempt by Italy's Montedison Group to buy out minority shareholders in Ausimont, the group's Wall Street-quoted specialty chemicals subsidiary, ran into fresh trouble yesterday.

Oppenheimer, the New York investment firm, revealed it had boosted its Ausimont stake to 5.2 per cent and considered the Montedison offer *inadequate*.

A $35 a share offer for the 27.4 per cent of Ausimont not owned by Montedison has already attracted criticism on Wall Street, because Ausimont's four independent directors consider the offer to be derisory.

The outside directors are angry with Mr Raul Gardini, chairman of the Ferruzzi-Montedison Group, because they believe a Morgan Stanley study of the break-up value of Ausimont last year placed a value on the company that was significantly higher than $35 a share.

Oppenheimer, in a filing with the Securities and Exchange Commission, has said it agreed with Ausimont's dissenting directors and will not accept $35 a share.

Yesterday morning, on the *New York Stock Exchange*, Ausimont shares were trading at $35⅜. Oppenheimer is clearly hoping Mr Gardini will extend and increase the offer for the Dutch-registered Ausimont. At $35 a share the offer would cost Montedison $280m.

The Montedison offer for Ausimont minority stock was due to expire at midnight yesterday. But under Dutch law, Montedison requires 95 per cent control of Ausimont, if it wishes to force minority shareholders to sell their stock.

The results of the Montedison bid for Ausimont minority *shares will be known today*, but given Oppenheimer's 5.2 per cent stake, the New York firm may be able to stop Montedison from taking full control.

In Milan, Montedison last night said it had no comment to make on the Ausimont affair.

JC Penney reports flat profits on lower sales

By Roderick Oram in New York

THE difficult US retailing environment was underscored yesterday by reports from J.C. Penney of flat profits on lower sales for the latest quarter and from Carter Hawley Hale of slimmer earnings on higher sales.

J.C. Penney, the third largest retailer, had net earnings of $296m for its fourth quarter ended January 28, unchanged from a year earlier.

A gain of $139m on the sale of its former New York City headquarters made final net $435m, or $3.28, while a year earlier loss on the sale of its Belgium operations made final net $280m, or $1.93. Revenues slipped to $4.95bn from $5.05bn.

Gross margins improved but "promotional activity was substantially reduced" in the latest quarter. Selling, general and administrative expenses rose 5 per cent from a year earlier.

Full-year net was $868m, or $4.96 a share, down from $706m, or $4.77 a year earlier.

AMES Department Stores of the US is considering offers for its G.C. Murphy discount store chain, just four years after acquiring it in a $200m takeover battle.

The division's management has made a leveraged buy-out bid. McCrory, the US group which operates 1,300 general *merchandise stores, has also* expressed interest.

The gain from the building sale made the final net $807m, or $6.02, while $82m of relocation charges and the Belgian loss cut year earlier net to $608m, or $4.11.

Revenues slipped 2.9 per cent to $15.3bn from $15.75bn. Gross margins were higher despite the adverse effects of discontinuing sales of home electronics, hard sporting goods and photographic equipment in its stores and higher inventory accounting charges.

Mr William Howell, chairman, said Penney was well positioned to respond to consumers buying patterns.

He added: "The expansion of women's apparel offerings and the continued strengthening of men's and women's apparel and home/lesiure merchandise will result in significant opportunities for J.C. Penney."

Carter Hawley Hale, a Los Angeles-based department *store* group, turned in net profits for its second quarter ended January 28 of $13.6m or 63 cents a share, after a charge of $8.3m for early retirement of debt.

The *year* earlier net was $20.3m, or 94 cents. Sales were $930.7m, against $865.9m, or 6.5 per cent higher on a comparative stores basis.

The first-half net was $24.9m, or $1.15, after the debt charge and a $15.3m gain from an income tax accounting change. Year earlier net was $31.1m, or $1.33, after a $10.1m gain from capitaliising inventory costs while sales edged ahead to $1.57bn from $1.48bn.

ABB challenged on Canada bid

By David Owen in Toronto

THE CANADIAN Bureau of Competition Policy is to challenge Asea Brown Boveri's proposed acquisition of Westinghouse Canada's power *transmission and distribution* equipment businesses on the grounds that the deal could lead to "a substantial lessening of competition."

Earlier this week, the Swedish-Swiss electrical engineering group secured US Justice Department approval for a joint venture with Westinghouse Electric, the US parent, in the same business sectors. The group had to abandon a smaller venture in steam turbines, however.

The case will now be *referred to* the Canadian Competition Tribunal, an independent, quasi-judicial body established in June 1986 under the country's new competition act, for adjudication. It will be only the fifth deal to be referred to the body since it was set up.

The tribunal's primary task will be to adjudge whether a substantial lessening of competition would indeed occur. It can still allow the transaction to proceed, however, if it considers the deal "likely to bring about gains in efficiency that will be *greater* than, and will offset, the effects of any prevention or lessening of competition."

The sale would involve six Westinghouse Canada plants, which employ close to 25 per cent of the company's 6,300-strong workforce. In 1987, Westinghouse Canada had sales of almost C$800m (US$676m).

Rise in new policy sales boosts Sun Life

By David Owen

SUN LIFE Assurance, the large *Toronto-based life insurance* group, has reported record earnings of C$589m (US$499) buoyed by strong growth in new policy sales and the continued expansion of the company's reinsurance business.

The figure represents a sharp 27 per cent increase over 1987 earnings of C$462m.

Total assets managed by the group rose by 9 per cent to C$49bn.

In all, the face amount of the company's new life insurance sales rose 83 per cent to C$56.7bn. UK sales were 42 per cent higher than year-ago totals.

The sum of life insurance in force, meanwhile, crossed the C$200n threshold, rising by 16 per cent to C$202.4bn.

On a less positive note, the company's tax expenses increased sharply by 25 per cent to C$72.5m. Mr John McNeil, chairman, blamed domestic income taxes, including a new investment income tax on the life insurance business.

Intel sues chip maker for 'stealing secrets'

By Louise Kehoe

INTEL, THE leading US microprocessor manufacturer, has accused a small Silicon Valley start-up company with stealing some of its most precious trade secrets.

According to a suit filed by Intel, ULSI System Technology has used confidential information in its efforts to replicate the Intel 387 chip, which works alongside the Intel 386 microprocessor to boost the performance of personal computers or workstations.

ULSI had planned to enter into a technology sharing agreement with Advanced Micro Devices, one of Intel's main competitors, which has been *attempting* through a protracted legal battle with Intel to obtain licenses to manufacture the 386.

AMD said yesterday it has been in talks on a proposed deal with ULSI, but that the arrangement was now "on hold." It said: "Information has been transfered to AMD. A clause in the proposed agreement warrents that ULSI has not made use of any proprietary information." AMD *is* not named in the Intel suit.

Intel said ULSI had obtained documents relating to the 386, the 387 and a 64-bit microprocessor which has yet to be announced for sale.

The 386 is Intel's top selling microprocessor, and is used in many high performance personal computers. The chip cost Intel $100m to develop. To date, it has refused to license the manufacture of the 386 and related chips. According to industry experts several parties are working to "reverse engineer" the chips to offer equivalent products.

The 64-bit *microprocessor* mentioned in the complaint is believed to be Intel's next generation microprocessor which the company is expected to unveil later this month. Intel obtained a temporary order preventing ULSI from making or marketing chips that use Intel secrets.

ULSI had no comment on the Intel suit. According to court filings, ULSI claims to have made no use of the Intel proprietary information in its efforts to "clone" the 387 chip.

Acquisitions help Campbell Soup to record earnings

By Karen Zagor in New York

CAMPBELL SOUP, the largest producer of canned soups, yesterday *announced* record sales and earnings for the second quarter and first half. The group attributed the strong results to gains in domestic core brands and international *acquisitions*.

Net earnings for the quarter which ended January 29 rose by 12 per cent to $94.9m, or 73 cents a share, compared with $84.6m or 65 cents on sales by 18 per cent to $1.58bn from $1.34bn.

For the first half, net income increased 12 per cent to $164.2m or $1.27, from $147.0m or $1.13, on sales which advanced 16 per cent to $2.92bn from $2.51bn. Last year's net excludes a $32.5m gain from a change in income tax accounting.

Mr Gordon McGovern, president, said: "All of Campbell's operating divisions - Campbell USA, Campbell International, Pepperidge Farm and Campbell Enterprises - scored impressive sales and operating earnings gains despite increased cost pressures affecting ingredients and packaging."

Campbell International's earnings for the quarter leapt 84 per cent to $23.7m while sales improved by 51 per cent to $403.7m. Sales in the UK and Australia led the international sector, largely due to the acquisition of Freshbake, a UK frozen foods business, and to a strong contribution from Arnotts, an Australian cookie producer.

Campbell USA's operating earnings were up 13 per cent to $124.5m, boosted by strong performances from several traditional businesses, including Franco-American pasta and gravies; Swanson dinners and V8 juices.

Pepperidge Farm, which produces bread, cakes *and similar* products, recorded improved sales of $146.6m from $130.2m. Earnings rose to $16.4m from $14.0m.

Earnings for Campbell Enterprises rose to $13.6m from $12.8m on sales of $101.0m from $97.8m. The group said the division's improvement was led by a strong performance from its food service unit. Godiva chocolates had the best *holiday season in its history*.

Norsk Hydro at all-time high after 65% leap

By Karen Fossli in Oslo

NORSK HYDRO yesterday announced record net profits of NKr3.4bn ($508.6m) for 1988 – up 65 per cent – *thanks to* strong performances in light metals, petrochemicals and fertilisers and by the restructured agriculture division.

Group turnover rose by 10 per cent *to* NKr60bn from NKr54.5bn. The company, the largest stock market listed group in Norway, is increasing its dividend from NKr3 a share to NKr3.75.

The agriculture division had an operating income of NKr1.35bn, against NKr1.02bn, generated by an improvement in fertilisers despite lower demand in Europe. Oil and gas operating income slipped to NKr1.07bn from NKr1.56bn primarily because of lower energy prices.

Light metals experienced an operating income of NKr2.47bn, up from NKr1.62bn *due to strong demand* for aluminium and high prices. Extrusion plants maintained margins as a result of strong demand, although weak margins for rolled products were experienced.

Lower production, plant closure costs and stringent environmental requirements suppressed magnesium margins despite higher prices. Petrochemicals had an operating income of NKr1.61bn compared with NKr894bn helped by higher PVC prices.

Last year's performance was enhanced by Oseberg, an oil field which came on stream four months before schedule, and the completed acquisition of Hydro Aluminium.

Peugeot and Dassault to pool research

By Paul Betts in Paris

PEUGEOT, the French private sector car maker, and Dassault-Breguet, the French aircraft manufacturer, are to team up to develop advanced industrial technologies and processes.

The two leading French groups said *yesterday* they had reached a broad research and development co-operation agreement which could eventually lead to the creation of a joint research and development company.

They added that other French and international partners could be associated in their joint research and development initiative.

Peugeot said it considered the agreement with Dassault significant and would associate the aircraft manufacturer with Peugeot's medium and long term research programmes to prepare for the evolution *of the automobile* industry.

The co-operation with Dassault will enable Peugeot to study the use of aerospace technology and processes for *car production*.

For its part, Peugeot will provide Dassault with its expertise in robotics, industrial automation and other manufacturing processes.

The agreement between Dassault and Peugeot reflects a growing trend among leading French industrial groups to strengthen their research and development activities in a more cost effective and competitive *fashion* by pooling, wherever possible, their efforts.

Loss provision for R&D hits Northrop

NORTHROP, the US military aircraft group, was hit in the fourth quarter by a $150m loss provision for certain classified fixed-price research and development contracts, writes Our Financial Staff.

In the fourth quarter the group suffered a net loss $86.1m or $1.83 a share, against a profit $34.9m or 74 cents last time on revenues which dipped to $1.73bn from $1.77bn.

Notice of Redemption

to the holders of

International Standard Electric Corporation

12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that $9,780,000 principal amount has been selected by the Trustee for Redemption on 15th March, 1989 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

22	1476	2858	4208	5563	6916	8358	9843	11250	12681	14144	15580	17033	18337	19796
24	1482	2863	4209	5564	6917	8367	9844	11252	12682	14145	15586	17041	18340	19803
34	1496	2873	4211	5565	6929	8378	9852	11256	12687	14162	15601	17049	18343	19804
43	1509	2898	4212	5569	6930	8381	9873	11258	12688	14170	15604	17055	18348	19806
44	1512	2912	4215	5571	6932	8382	9876	11265	12697	14171	15609	17060	18357	19807
56	1520	2916	4224	5572	6933	8386	9883	11266	12729	14172	15614	17061	18361	19808
67	1521	2922	4243	5579	6936	8389	9893	11274	12762	14192	15616	17064	18362	19809
68	1540	2925	4248	5586	6940	8390	9908	11300	12771	14222	15617	17065	18364	19815
69	1545	2932	4262	5610	6942	8397	9914	11331	12778	14224	15623	17067	18370	19825
80	1568	2935	4263	5611	6959	8409	9922	11333	12780	14229	15626	17075	18371	19832
82	1574	2943	4266	5618	6960	8430	9927	11338	12800	14235	15631	17078	18372	19855
99	1588	2944	4274	5621	6962	8447	9933	11341	12808	14240	15641	17081	18381	19868
104	1589	2961	4275	5631	6971	8450	9944	11350	12812	14246	15646	17086	18382	19872
110	1596	2965	4280	5632	6982	8451	9949	11352	12814	14247	15656	17106	18385	19873
117	1599	2967	4286	5644	6989	8452	9951	11354	12815	14249	15657	17107	18390	19880
130	1605	2975	4288	5662	7005	8456	9953	11355	12818	14262	15682	17124	18393	19881
138	1612	2995	4304	5675	7007	8461	9965	11359	12825	14263	15685	17128	18406	19910
146	1613	2996	4306	5678	7021	8464	9971	11365	12835	14269	15692	17130	18411	19919
153	1635	3002	4307	5682	7033	8483	9974	11368	12841	14277	15698	17134	18416	19937
162	1637	3012	4308	5701	7037	8484	9978	11375	12845	14288	15701	17136	18420	19944
166	1641	3016	4314	5702	7041	8491	9992	11380	12856	14297	15726	17140	18423	19950
171	1646	3033	4321	5703	7046	8496	9994	11384	12859	14298	15732	17155	18424	19956
172	1655	3035	4323	5705	7047	8501	9998	11386	12861	14308	15742	17160	18428	19963
185	1656	3037	4328	5708	7049	8502	9999	11407	12869	14317	15745	17165	18430	19971
187	1661	3041	4329	5713	7059	8505	10001	11409	12884	14328	15760	17170	18450	19986
198	1664	3045	4330	5715	7060	8531	10004	11416	12895	14334	15762	17178	18456	20002
207	1673	3051	4334	5754	7062	8533	10032	11427	12897	14347	15767	17199	18458	20003
210	1684	3056	4344	5757	7064	8537	10053	11429	12903	14354	15772	17207	18473	20010
211	1685	3058	4347	5759	7072	8539	10059	11442	12917	14356	15797	17208	18479	20011
219	1689	3059	4371	5762	7076	8542	10068	11443	12929	14357	15798	17220	18500	20016
222	1690	3066	4378	5778	7077	8562	10076	11444	12936	14367	15801	17222	18501	20017
229	1695	3070	4382	5794	7084	8563	10100	11451	12946	14378	15810	17227	18503	20024
239	1741	3073	4383	5801	7101	8573	10103	11463	12955	14385	15821	17249	18508	20026
251	1764	3082	4396	5811	7117	8574	10110	11473	12963	14389	15826	17261	18510	20027
255	1773	3086	4400	5821	7129	8578	10118	11475	12987	14408	15827	17286	18517	20036
274	1783	3097	4401	5824	7139	8580	10126	11504	12989	14415	15829	17296	18524	20057
275	1784	3099	4402	5826	7140	8583	10153	11513	12994	14416	15832	17302	18534	20059
279	1787	3102	4409	5841	7145	8587	10154	11514	12998	14422	15833	17304	18535	20064
302	1794	3112	4413	5851	7164	8592	10160	11521	13003	14438	15834	17308	18549	20075
311	1796	3139	4417	5866	7180	8593	10165	11525	13008	14467	15842	17310	18557	20078
317	1797	3146	4420	5872	7183	8600	10172	11526	13013	14484	15846	17311	18559	20080
338	1802	3147	4433	5882	7187	8601	10177	11537	13021	14486	15862	17324	18578	20081
341	1804	3158	4455	5886	7197	8617	10192	11541	13022	14492	15868	17328	18581	20085
342	1809	3161	4456	5888	7215	8631	10199	11557	13030	14494	15870	17330	18582	20094
345	1817	3178	4457	5892	7216	8644	10219	11576	13036	14528	15871	17331	18595	20097
347	1819	3181	4464	5896	7241	8654	10220	11581	13047	14533	15878	17336	18602	20099
350	1823	3198	4468	5898	7257	8662	10246	11582	13058	14539	15882	17340	18604	20101
373	1826	3202	4471	5903	7263	8663	10249	11583	13061	14544	15886	17342	18605	20102
376	1830	3219	4475	5906	7284	8668	10261	11584	13082	14549	15887	17347	18613	20113
382	1834	3221	4477	5911	7290	8688	10265	11587	13087	14551	15889	17354	18618	20122
391	1840	3243	4480	5912	7300	8692	10280	11593	13096	14553	15891	17365	18630	20132
395	1847	3263	4492	5917	7302	8695	10283	11600	13097	14560	15900	17372	18654	20143
401	1848	3264	4494	5919	7305	8702	10292	11613	13103	14563	15905	17374	18660	20151
406	1856	3298	4498	5927	7311	8713	10303	11614	13124	14572	15920	17375	18666	20176
418	1857	3301	4502	5933	7316	8715	10305	11616	13142	14587	15926	17376	18670	20186
440	1861	3303	4506	5943	7322	8717	10314	11625	13144	14591	15929	17384	18674	20193
448	1862	3308	4519	5947	7325	8728	10317	11635	13145	14595	15945	17387	18680	20232
449	1875	3315	4532	5951	7339	8734	10320	11638	13146	14612	15960	17390	18682	20243
466	1876	3317	4534	5955	7358	8748	10324	11642	13149	14618	15965	17394	18690	20259
472	1878	3321	4535	5960	7361	8751	10330	11649	13165	14622	16001	17400	18695	20260
475	1883	3323	4546	5964	7371	8758	10331	11653	13195	14629	16008	17402	18706	20295
477	1889	3326	4549	5969	7385	8762	10340	11654	13202	14638	16049	17403	18723	20301
479	1890	3333	4552	5974	7392	8791	10349	11658	13204	14646	16050	17411	18740	20308
480	1896	3335	4562	5979	7398	8794	10369	11659	13206	14647	16051	17412	18745	20312
499	1899	3341	4563	5985	7408	8800	10370	11682	13214	14654	16063	17417	18756	20333
503	1900	3344	4569	5995	7443	8803	10371	11704	13219	14657	16066	17424	18759	20346
509	1905	3348	4589	6005	7446	8815	10382	11708	13224	14662	16074	17434	18775	20353
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567	1964	3380	4648	6072	7506	8879	10436	11766	13296	14721	16116	17504	18877	20431
572	1967	3386	4654	6073	7512	8881	10454	11775	13303	14722	16128	17511	18881	20437
578	1970	3396	4665	6082	7516	8882	10457	11801	13306	14728	16148	17525	18905	20451
589	1981	3411	4679	6083	7525	8884	10469	11802	13313	14730	16150	17527	18932	20452
590	1988	3419	4699	6091	7537	8895	10477	11815	13331	14743	16159	17530	18944	20460
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625	1994	3426	4709	6118	7560	8904	10493	11828	13342	14751	16162	17532	18961	20464
630	2005	3433	4715	6123	7566	8906	10495	11829	13357	14755	16166	17542	18970	20470
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42936	44393	45670	47225	48731	50253	51680	53008	54338	58978	60793	62422
42959	44397	45673	47229	48737	50254	51692	53024	54344	58984	60798	62435
42962	44417	45679	47244	48738	50262	51698	53026	54345	58990	60803	62438
42985	44421	45683	47246	48741	50274	51703	53033	54359	58991	60806	62442
42989	44423	45688	47254	48747	50326	51704	53038	54365	58994	60821	62453
42996	44424	45697	47270	48748	50334	51708	53055	54372	59011	60830	62487
42999	44427	45713	47289	48758	50337	51709	53078	57518	59019	60835	62493
43000	44436	45715	47297	48760	50341	51712	53080	57536	59023	60837	62500
43006	44445	45737	47306	48761	50347	51719	53084	57539	59027	60838	62506
43008	44451	45743	47317	48772	50351	51730	53090	57547	59028	60850	62512
43009	44463	45751	47318	48776	50364	51735	53105	57551	59042	60865	62529
43013	44468	45759	47321	48790	50373	51737	53107	57557	59043	60874	62564
43021	44476	45766	47326	48791	50376	51748	53108	57560	59054	60875	62573
43038	44490	45776	47327	48795	50377	51760	53114	57561	59058	60888	62577
43041	44500	45783	47332	48811	50382	51764	53118	57563	59095	60891	62587
43045	44502	45786	47333	48820	50383	51774	53120	57564	59099	60894	62604
43047	44503	45806	47358	48837	50409	51779	53135	57567	59122	60901	62605
43056	44508	45819	47365	48862	50418	51780	53155	57568	59124	60905	62608
43058	44521	45823	47395	48866	50436	51788	53156	57577	59135	60909	62615
43067	44524	45825	47398	48868	50437	51789	53157	57580	59136	60915	62630
43094	44537	45832	47399	48875	50442	51797	53162	57587	59138	60921	62633
43108	44538	45848	47408	48876	50466	51804	53165	57601	59145	60928	62640
43116	44539	45862	47411	48880	50478	51836	53167	57605	59169	60930	62642
43122	44541	45901	47422	48888	50481	51840	53171	57613	59187	60932	62678
43126	44542	45912	47427	48901	50488	51847	53190	57641	59194	60941	62680
43137	44545	45923	47428	48907	50494	51862	53192	57646	59200	60943	62684
43159	44549	45927	47439	48915	50498	51869	53200	57647	59202	60953	62719
43185	44555	45953	47441	48927	50500	51871	53209	57672	59213	60956	62724
43189	44560	45968	47442	48939	50504	51873	53223	57681	59222	60966	62739
43196	44562	45976	47460	48942	50516	51886	53242	57694	59227	60969	62741
43213	44591	45978	47481	48948	50519	51893	53249	57700	59229	60974	62743
43218	44598	45981	47485	48963	50533	51899	53250	57701	59230	60982	62749
43219	44611	45984	47498	48969	50534	51900	53253	57702	59235	61012	62766
43221	44618	46004	47499	48974	50538	51902	53264	57705	59244	61022	62786
43224	44619	46012	47500	48986	50539	51904	53268	57730	59248	61030	62795
43226	44625	46014	47504	48991	50546	51907	53273	57738	59255	61032	62814
43232	44628	46016	47508	48994	50551	51934	53278	57741	59256	61034	62819
43236	44629	46028	47514	48997	50552	51938	53281	57743	59257	61035	62830
43241	44636	46031	47518	49001	50560	51947	53285	57751	59258	61041	62841
43258	44639	46034	47524	49012	50570	51957	53299	57755	59275	61042	62858
43277	44643	46038	47535	49024	50574	51976	53308	57756	59285	61054	62869
43322	44652	46042	47550	49025	50579	51989	53321	57764	59291	61060	62875
43330	44678	46059	47555	49030	50582	52005	53323	57780	59319	61064	62895
43332	44690	46061	47558	49031	50584	52008	53329	57787	59329	61065	62900
43370	44697	46068	47559	49035	50609	52022	53335	57792	59337	61072	62908
43372	44709	46070	47560	49037	50615	52023	53354	57798	59346	61073	62909
43376	44715	46075	47574	49038	50617	52027	53359	57809	59355	61075	62920
43382	44718	46082	47581	49049	50661	52028	53363	57820	59358	61076	62948
43383	44719	46084	47602	49062	50672	52029	53367	57822	59364	61126	62952
43385	44731	46086	47618	49063	50682	52036	53368	57824	59383	61130	62956
43387	44736	46109	47619	49077	50685	52042	53374	57825	59395	61137	62960
43396	44740	46125	47636	49079	50691	52057	53385	57829	59404	61142	62976
43403	44754	46131	47643	49088	50699	52059	53389	57830	59413	61153	62979
43406	44755	46132	47644	49092	50704	52064	53392	57833	59425	61164	62987
43411	44757	46145	47658	49123	50709	52067	53397	57846	59426	61169	62998
43413	44759	46153	47672	49130	50710	52074	53403	57852	59429	61172	63005
43418	44761	46159	47679	49149	50711	52081	53411	57870	59431	61173	63027
43427	44768	46160	47683	49162	50713	52086	53413	57881	59442	61178	63029
43438	44770	46163	47687	49168	50724	52087	53422	57882	59448	61183	63036
43445	44775	46164	47697	49173	50730	52104	53423	57888	59474	61184	63052
43448	44781	46169	47704	49193	50737	52108	53429	57914	59475	61185	63059
43449	44786	46190	47706	49194	50743	52111	53446	57927	59479	61220	63061
43450	44788	46194	47707	49195	50750	52117	53453	57936	59487	61245	63079
43467	44792	46209	47714	49203	50762	52122	53455	57940	59490	61285	63080
43473	44826	46217	47718	49218	50766	52126	53469	57955	59506	61286	63096
43477	44828	46222	47723	49219	50775	52128	53474	57969	59531	61287	63107
43488	44831	46258	47724	49224	50790	52137	53506	57974	59546	61291	63110
43494	44846	46268	47735	49227	50795	52150	53517	57987	59551	61306	63117
43502	44847	46276	47739	49242	50800	52151	53518	57988	59561	61317	63130
43506	44849	46282	47744	49246	50810	52154	53529	58001	59579	61320	63157
43513	44862	46286	47755	49258	50813	52162	53538	58002	59586	61322	63164
43532	44875	46287	47756	49259	50819	52166	53540	58015	59600	61325	63171
43549	44876	46288	47757	49275	50827	52167	53541	58017	59607	61342	63174
43561	44880	46289	47779	49279	50828	52173	53542	58023	59608	61344	63209
43565	44886	46297	47783	49285	50834	52176	53547	58024	59612	61354	63217
43566	44887	46299	47793	49299	50839	52186	53550	58045	59624	61368	63220
43569	44900	46314	47799	49305	50841	52190	53561	58047	59629	61370	63221
43570	44903	46321	47800	49323	50846	52200	53562	58056	59639	61371	63227
43575	44912	46331	47812	49330	50847	52202	53564	58073	59640	61380	63230
43585	44915	46342	47813	49332	50856	52207	53572	58075	59641	61386	63236
43598	44917	46349	47817	49333	50857	52211	53587	58081	59645	61389	63242
43601	44926	46362	47819	49337	50901	52218	53592	58088	59667	61402	63248
43615	44930	46379	47827	49343	50902	52228	53599	58094	59668	61405	63260
43616	44934	46389	47837	49368	50904	52241	53605	58107	59677	61409	63282
43621	44936	46393	47843	49378	50913	52257	53608	58108	59679	61412	63283
43624	44945	46403	47852	49383	50918	52267	53625	58113	59693	61426	63290
43636	44960	46409	47854	49388	50922	52272	53627	58115	59705	61434	63295
43641	44962	46410	47871	49392	50940	52275	53645	58124	59724	61435	63309
43644	44964	46417	47872	49396	50941	52287	53654	58132	59727	61446	63312
43649	44966	46421	47879	49425	50943	52290	53655	58134	59739	61447	63344
43673	44968	46428	47893	49429	50945	52318	53656	58142	59743	61451	63346
43679	45007	46443	47897	49446	50950	52326	53663	58146	59752	61483	63361
43680	45010	46445	47911	49448	50951	52344	53667	58167	59755	61499	63368
43681	45014	46464	47934	49452	50953	52348	53670	58173	59773	61520	63385
43684	45015	46475	47935	49454	50963	52350	53676	58175	59791	61527	63396
43714	45025	46480	47936	49458	50983	52352	53680	58178	59793	61543	63401
43723	45028	46485	47947	49470	50984	52361	53684	58186	59798	61552	63403
43724	45032	46487	47952	49472	51006	52384	53694	58193	59814	61558	63411
43744	45038	46504	47954	49484	51011	52392	53702	58198	59823	61563	63417
43748	45039	46528	47955	49505	51023	52394	53703	58203	59842	61576	63422
43762	45049	46531	47960	49515	51027	52400	53705	58207	59861	61578	63423
43767	45054	46535	47978	49517	51033	52413	53708	58221	59868	61597	63438
43789	45060	46536	47981	49525	51034	52415	53709	58254	59874	61605	63445
43791	45067	46560	48006	49536	51037	52422	53711	58255	59879	61617	63490
43792	45070	46562	48015	49546	51039	52428	53717	58256	59880	61618	63491
43796	45078	46563	48020	49549	51041	52437	53746	58273	59893	61624	63495
43798	45082	46567	48026	49551	51042	52440	53752	58283	59894	61625	63500
43801	45094	46574	48027	49553	51048	52444	53758	58284	59897	61636	63502
43803	45101	46575	48036	49560	51049	52446	53763	58289	59899	61641	63513
43812	45108	46579	48050	49561	51053	52447	53777	58290	59930	61674	63515
43816	45114	46602	48075	49582	51058	52449	53778	58295	59972	61682	63518
43829	45127	46617	48081	49586	51059	52450	53782	58317	59980	61697	63519
43830	45131	46639	48095	49594	51061	52454	53784	58340	59991	61703	63528
43832	45136	46645	48101	49598	51083	52460	53785	58345	60014	61705	63535
43833	45165	46646	48105	49604	51109	52464	53790	58360	60037	61711	63554
43849	45166	46651	48122	49614	51116	52465	53791	58364	60038	61723	63556
43855	45172	46657	48128	49618	51132	52468	53800	58375	60041	61727	63567
43893	45175	46688	48153	49619	51145	52502	53808	58383	60046	61732	63578
43927	45177	46701	48157	49628	51149	52508	53809	58387	60136	61745	63581
43928	45183	46702	48169	49631	51155	52522	53822	58389	60150	61758	63589
43932	45191	46705	48172	49638	51165	52532	53825	58392	60154	61759	63591
43933	45192	46711	48190	49648	51182	52543	53829	58398	60168	61764	63593
43938	45197	46714	48195	49649	51192	52553	53831	58407	60176	61771	63594
43941	45203	46720	48200	49654	51199	52556	53848	58415	60181	61776	63610
43948	45206	46728	48204	49655	51211	52562	53861	58416	60183	61777	63613
43951	45216	46738	48209	49659	51223	52568	53873	58417	60186	61788	63614
43956	45230	46745	48212	49661	51229	52570	53881	58427	60189	61789	63624
43971	45236	46752	48213	49680	51234	52575	53891	58428	60202	61817	63626
43975	45257	46754	48214	49684	51236	52578	53894	58432	60207	61841	63629
43979	45262	46767	48220	49689	51245	52579	53896	58435	60213	61856	63631
43981	45267	46768	48221	49705	51248	52589	53902	58443	60225	61865	63635
44001	45268	46777	48227	49715	51250	52592	53904	58483	60238	61867	63651
44006	45279	46782	48257	49719	51251	52598	53923	58492	60245	61874	63655
44016	45283	46788	48258	49741	51262	52604	53926	58499	60267	61887	63680
44023	45285	46789	48266	49748	51271	52610	53934	58513	60288	61891	63683
44042	45294	46800	48275	49761	51278	52614	53936	58520	60296	61896	63687
44046	45302	46807	48281	49782	51288	52623	53937	58523	60305	61903	63690
44050	45304	46810	48294	49797	51289	52635	53946	58539	60311	61912	63697
44052	45316	46816	48298	49800	51294	52649	53947	58543	60315	61913	63717
44053	45317	46832	48313	49832	51296	52650	53971	58544	60334	61918	63728
44058	45319	46835	48314	49838	51297	52658	53974	58554	60346	61924	63738
44076	45321	46836	48327	49842	51311	52660	53991	58577	60351	61938	63751
44095	45328	46852	48336	49843	51312	52661	53998	58594	60362	61943	63752
44101	45332	46861	48347	49848	51328	52665	54004	58600	60369	61968	63760
44114	45333	46867	48372	49849	51332	52671	54009	58606	60372	61970	63767
44119	45334	46869	48379	49850	51334	52676	54014	58615	60374	61997	63768
44120	45335	46876	48386	49853	51343	52699	54016	58630	60378	62006	63772
44121	45340	46888	48394	49856	51351	52700	54021	58641	60388	62007	63773
44127	45345	46892	48398	49869	51357	52704	54029	58646	60421	62015	63777
44128	45348	46895	48401	49872	51375	52716	54033	58651	60425	62036	63780
44129	45351	46916	48403	49875	51377	52719	54038	58663	60429	62043	63787
44130	45353	46917	48409	49889	51379	52722	54044	58664	60441	62050	63788
44136	45354	46930	48421	49894	51380	52732	54047	58667	60472	62057	63789
44147	45360	46932	48424	49899	51383	52739	54049	58679	60475	62061	63798
44150	45368	46933	48430	49923	51385	52747	54059	58689	60483	62080	63810

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63519	65192	66289	67289	68653	69615	71049	72394	73668
63823	65203	66311	67295	68654	69621	71085	72398	73669
63837	65223	66314	67298	68664	69623	71089	72404	73671
63847	65224	66321	67316	68673	69628	71096	72427	73691
63867	65227	66342	67319	68676	69629	71097	72436	73699
63879	65235	66344	67321	68681	69632	71115	72439	73701
63889	65236	66345	67328	68684	69636	71118	72442	73704
63894	65237	66346	67332	68686	69647	71123	72449	73713
63896	65241	66356	67334	68691	69651	71132	72453	73718
63906	65255	66357	67336	68699	69677	71139	72474	73726
63908	65256	66359	67337	68700	69688	71161	72475	73769
63915	65261	66362	67345	68719	69690	71168	72497	73796
63917	65263	66365	67371	68720	69903	71171	72498	73798
63918	65265	66367	67373	68730	69905	71177	72499	73806
63934	65276	66372	67377	68736	69926	71190	72508	73811
63945	65277	66373	67380	68737	69928	71197	72513	73830
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64777	65873	66933	68146	69390	70522	71938	73211	74519
64778	65886	66936	68148	69407	70537	71944	73215	74533
64792	65891	66955	68162	69409	70538	71955	73224	74539
64793	65897	66956	68164	69412	70550	71957	73237	74542
64796	65900	66958	68169	69413	70552	71959	73241	74545
64800	65911	66960	68171	69415	70557	71964	73242	74546
64810	65912	66963	68174	69423	70560	71966	73244	74577
64819	65914	66964	68175	69424	70568	71978	73252	74578
64821	65919	66970	68177	69426	70575	71979	73254	74581
64837	65928	66974	68178	69442	70581	71980	73258	74583
64842	65933	66987	68191	69444	70582	71981	73263	74585
64854	65934	66999	68193	69445	70586	71985	73274	74592
64861	65936	67000	68211	69446	70594	71990	73276	74605
64866	65937	67008	68215	69454	70603	71996	73280	74610
64875	65941	67011	68235	69468	70615	72002	73282	74613
64899	65943	67012	68239	69472	70625	72012	73292	74620
64907	65952	67015	68244	69474	70636	72019	73295	74641
64908	65956	67019	68249	69481	70658	72021	73298	74642
64913	65960	67027	68257	69486	70662	72029	73304	74657
64917	65961	67028	68280	69489	70667	72036	73313	74668
64920	65964	67030	68286	69490	70696	72039	73319	74680
64925	65968	67036	68291	69517	70702	72041	73323	74682
64935	66013	67040	68296	69521	70740	72043	73328	74691
64938	66018	67043	68304	69524	70744	72046	73334	74696
64941	66020	67046	68307	69527	70747	72076	73339	74698
64942	66031	67060	68308	69530	70751	72080	73340	74705
64957	66036	67062	68313	69535	70758	72085	73352	74706
64961	66043	67073	68334	69542	70760	72088	73358	74709
64973	66051	67079	68346	69544	70770	72090	73370	74712
64976	66064	67080	68363	69549	70775	72095	73372	74713
64985	66075	67083	68366	69553	70780	72107	73377	74723
64996	66076	67090	68379	69556	70805	72109	73384	74725
65005	66080	67092	68394	69558	70808	72114	73389	74742
65012	66089	67096	68397	69572	70819	72131	73402	74749
65019	66095	67100	68403	69575	70830	72138	73412	74750
65026	66098	67103	68412	69594	70836	72150	73413	74751
65028	66099	67104	68415	69599	70839	72179	73425	74759
65029	66107	67109	68423	69622	70842	72185	73426	74767
65031	66110	67123	68424	69625	70845	72194	73431	74768
65038	66111	67127	68426	69633	70872	72213	73445	74770
65041	66120	67136	68434	69645	70883	72215	73472	74773
65045	66121	67140	68440	69652	70885	72218	73479	74791
65051	66127	67141	68442	69653	70886	72226	73486	74813
65056	66128	67150	68449	69654	70896	72228	73497	74820
65065	66138	67154	68474	69671	70906	72234	73498	74831
65068	66139	67157	68476	69677	70912	72243	73507	74836
65069	66158	67163	68479	69680	70913	72245	73512	74873
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Accordingly, on 15th March, 1989 the Bonds so designated for redemption will become due. Payment will be made upon presentation and surrender thereof of the above Bonds at one hundred per cent (100%) of the principal amount thereof in United States Dollars, at the option of the holder, subject to any applicable laws or regulations in the country where each of the following offices are located, at the City Offices of Bankers Trust Company in London, at the main office of Bankers Trust Company in Paris, at the office of Bankers Trust GmbH in Frankfurt, at the office of Banque Indosuez Belgique Brussels, (formerly Banque du Benelux S.A. Brussels), at the office of Banque Générale du Luxembourg S.A. in Luxembourg or at the office of Swiss Bank Corporation Basle.

The redeemed Bonds should be presented with all Coupons maturing after 15th March, 1989. Coupons maturing on 15th March, 1989 and prior thereto should be detached and surrendered for payment in the usual manner. From and after 15th March, 1989 interest on redeemed Bonds will cease to accrue.

International Standard Electric Corporation

By Bankers Trust Company, Trustee.

10th February, 1989

INTERNATIONAL COMPANIES AND FINANCE

Telco plans drive towards wider product base

David Housego reports on the Indian motor group's hopes for a move into electronics and avionics

IS Telco, India's largest vehicle manufacturer, and the country's second-largest private sector company, about to join the ranks of other Asian car manufacturers and become a global producer? Can the company draw on the resources of the rest of the Tata group and break into new product areas such as electronics and aerospace?

Visitors to the company's main plant at Pune in western India or to its headquarters in Bombay find their questions echoed by the soul-searching taking place within the group over future strategy.

The limited growth opportunities in the domestic market for trucks and buses have already pushed Telco into lighter vans and cars and into placing more emphasis on exports. Telco, previously known as Tata Locomotive and Engineering, still holds 70 per cent of the Indian market for heavier and medium-sized vehicles. These generate about 70 per cent of the group's Rs14bn ($891m) turnover.

The company has a new chairman in Mr Ratan Tata, whose style and interests are widely different from the predominantly engineering preoccupations of his predecessor. Head of Tata Industries, the high-tech arm of the Tata group, he holds out the prospect of a "brain-storming" on the company's future after March, when the current financial year is over.

"Every company carries with it the baggage of its history," says Mr Arun Maira, export director, in weighing up Telco's strength and weaknesses in its search for greater competitiveness. Telco's past is that it grew up in a highly protected market where, until a few years ago, government licencing policy essentially confined it to trucks and buses.

This straitjacket had some advantages. Telco was able to do some things that few other vehicle companies could barely imagine. It spent years in the 1970s developing a second plant (now its main manufacturing base) at Pune.

It invested heavily under Mr Sumant Moolgaokar, who headed the company for more than 30 years before retiring in December, in engineering facilities and training. By world standards, it is a highly integrated plant. It has its own foundry and forge, designs and builds its own machine tools and supplies itself with a high proportion of components.

The 12,500-strong labour force has an average age of just 32, is as disciplined as in any East Asian factory and has been given multi-skill training.

The result is that, once let off the leash in terms of government licensing over its product range, it has been able to exploit its flexibility to bring out new models every 18 months, ranging from trucks through light commercial vehicles to pick-up vans and now cars. It can easily adapt to batch production so as to take advantage of new niches in the Indian market or abroad.

The disadvantage is that protection and the constraints of government policy kept volumes low and pushed up costs.

Telco reckons that with group production of heavy and medium-sized trucks running above the 50,000 mark, it has the volume to make its costs internationally comparable.

Telco's major export hope lies in its recent 206 pick-up van, the Tatamobile, which in three years has already grabbed over 20 per cent of the Indian market. This is likely to be assembled in Egypt under a General Motors label which Telco hopes will be the starting point for a wider link-up with General Motors elsewhere in Asia and Africa. But, with Pune still producing only 9,000 a year, costs are still high by international standards.

Telco sees its Tata estate car, and the other luxury models that could follow, as primarily aimed for the Indian market. Company thinking is that cars could absorb a quarter of the 100,000 units a year production which Pune could build up to in the next five years.

A factor that overall should help boost Tata's export effort is the continuing depreciation of the rupee against the dollar. It has fallen by more than 20 per cent during the last year as East Asian currencies have been strengthening.

Against this, Telco suffers from the disadvantages of the Indian economy. High prices for steel and other raw materials feed through quickly into costs. Shipping costs from India add 10 per cent to 15 per cent to selling prices.

Arthur D Little, the US consultants, carried out a market survey last year to show how the Tatamobile would position itself in the US. Its report was more favourable than Telco expected but it showed that an Indian vehicle would need to price itself 20 per cent below other East Asian competitors — suggesting a price of a little over $5,000 per vehicle.

Mr Tata believes exports could account for 10 per cent to 15 per cent of Telco vehicle sales in the near future. But with other car manufacturers such as General Motors or Daimler Benz in mind, he clearly wants to expand beyond the car industry into aerospace and electronics.

Tata group companies are already involved in a number of these areas. If Telco is to exploit them it will need stronger links with other Tata affiliates. Unquestionably, that seems to be the direction in which Mr Tata intends to push Telco.

Ratan Tata: hopes to expand beyond the car industry

Australian Airlines lifted by bicentennial year

By Chris Sherwell in Sydney

A SHARP increase in tourism during Australia's bicentennial year last year has helped Australian Airlines, the Government-owned domestic carrier, achieve a record profit for the six months to December.

Figures released yesterday showed after-tax earnings of A$45.7m (US$30m), up 23.4 per cent on the same period in 1987, on revenue from operations of A$666.4m, a rise of 21 per cent.

Higher income taxes restricted the scale of the group's profit rise. At the pre-tax level, operating profit actually doubled to A$74.4m. But last year it incurred no income tax expenses.

The group said the increase in inbound tourism, the bicentenary celebrations and the staging of Expo '88 in Brisbane, for which Australian Airlines was the official carrier, all contributed to the profit increase. It also said it was capturing a larger share of the high yielding business travel market.

Passenger traffic volume was up sharply, with the airline carrying 3.3m passengers and 3.3bn passenger-kilometres. The airline claimed a 51.6 per cent market share against Ansett Airlines, its private sector competitor owned jointly by TNT and News group.

The group is projecting a profit for the current half of the year lower than the first, and comparable to the second half of 1987-88. It did not disclose the size of the interim dividend it had recommended to the Government.

Brierley quits as bank chief

SIR RON Brierley has resigned as chairman of the Bank of New Zealand. Mr Bob McCay, the chief executive, is also to retire along with further senior management changes, reports AP-DJ.

BNZ, New Zealand's biggest commercial bank, also said yesterday it planned to restructure operations and change its international activities.

BNZ recently reported that loan loss provisions for the year ending March 1989 would be about NZ$375m ($234m). For 1987-88, provisions totalled NZ$206.2m, up from NZ$63.1m the year before.

Sir Ron said yesterday that his resignation arises from differences with Mr David Caygill, New Zealand Finance Minister, over the bank's future strategy. The Government holds 84 per cent of NZB.

The new strategy will include developing relationships between the bank and its offshore operations.

Hopes fade for UAP-BNP link

By George Graham in Paris

PROSPECTS for a swift decision on the alliance of Union des Assurances de Paris, the leading French state-owned insurance group, and Banque Nationale de Paris, the largest nationalised bank, appear to have faded.

Mr Pierre Beregovoy, the Finance Minister, has said that he has no objection in principal to the alliance which the two groups have proposed to him, but he has also warned that he did not regard the marriage of banking and insurance as a universal remedy, nor the UAP-BNP link as an urgent priority.

BNP and UAP last month put forward proposals for the creation of a common holding company rather than a full merger or an exchange of crossed shareholdings. This solution would require a change in a 1973 law limiting all shareholders other than the state to a maximum of 1 per cent of the capital of a nationalised insurer.

Mr Jean Peyrelevade, UAP's chairman, said last week, however, that several proposals had been put forward, some of which did not require a change in the law.

The two groups remain keen on the alliance, despite criticism from many other bankers and insurers.

"We remain convinced of the usefulness of the association," Mr Daniel Lebegue, joint managing director of BNP, said recently. "There has been so much criticism from our competitors that I think we must have made the right choice."

MR MARC Vienot, chairman of Société Générale, has laid down his conditions for an armistice in the battle which opposes him to Mr Georges Pebereau, head of Marceau Investissement and the largest unwelcome shareholder in the capital of the French bank.

Mr Vienot said he was ready to accept a settlement with Mr Pebereau and his supporters on two conditions.

The first is that he did not have to buy in his company's shares at too high a price, and the second is that he did not have to accept any shareholder owning more than 4.5 per cent of his bank's capital.

Mr Beregovoy, on the other hand, said this week that he was keener on alliances with foreign groups than on purely domestic groupings. The view is shared by some other senior bankers in the state sector, as well as by Mr Dominique Chatillon, chairman of the French banks association, who said yesterday that he saw little interest from the capitalistic point of view in a bank-insurance link, and in any case did not believe in the usefulness of a purely French grouping.

AEG buys 20% of Turkish group

By Alan Friedman in Cologne

AEG of West Germany is paying more than DM40m ($30m) to acquire a 20 per cent stake of the home appliance division of Profilo, Turkey's second largest white goods producer.

AEG said yesterday the deal also provided AEG with an option to buy majority control of Profilo.

Profilo is an Istanbul-based industrial holding group controlled by the Kamhi family.

Its home appliance division, which employs a workforce of 4,300, last year generated Turkish lira 300bn ($157m) of sales and produced 750,000 units.

The company said it had 50 per cent of the Turkish refrigerator market, 30 per cent of the washing machine sector and 20 per cent of cookers.

VW expects another good year after buoyant 1988

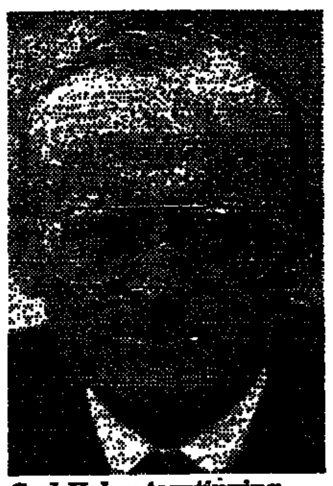
By Andrew Fisher in Frankfurt

VOLKSWAGEN, the West German motor group, is expecting another strong year in 1989 after increasing earnings and improving its cost structure last year, Mr Carl Hahn, the chairman, said.

Car sales had continued to be buoyant recently, despite expectations of a downturn in major European markets. "It seems after such a good December and January that the optimistic forecasts in our budget for 1989 will be reached," he said. "So we can expect 1989 to be another very good year."

VW should be able to maintain, or even slightly increase, its sales volume this year, Mr Hahn added, as well as continuing to improve productivity and earnings. The cost position had been helped by the closure of the loss-making Westmoreland plant in the US and the shedding of a net 9,400 jobs worldwide last year.

Mr Hahn declined, in an interview, to indicate last year's results. But he said: "Not only are the figures better, but their quality is better."



Carl Hahn: 'continuing cost-cutting efforts'

In the first nine months of 1988, group pre-tax profits rose by 32 per cent to DM1.12bn ($609m) and net profits by 6.6 per cent to DM419m. Analysts have forecast around DM650m net for the full year against DM598m in 1987, after the powerful move into profits by the Seat subsidiary in Spain and the Autolatina partnership with Ford in South America, and reduced US losses. For 1989, profits are forecast at about DM700m.

VW would continue to operate an "extremely conservative" balance sheet policy with high depreciation and additions to reserves, Mr Hahn said. "We shall also show a very strong cash position based on our traditionally high cash flow." In 1987, cash flow was 14 per cent higher at DM4.8bn.

VW was continuing its cost-cutting efforts, especially in Germany, Mr Hahn said. In 1988, 11,000 jobs were shed, mainly in the US (3,100), Germany (4,500, including 2,200 at the Audi subsidiary in the south), Seat (1,200) and Mexico (2,000). These were offset by additions elsewhere, as in South Africa. In the north German plants, such as Wolfsburg, there was still "a substantial amount to be done" on costs. VW has made clear, however, that further labour cuts will be gradual, through natural wastage and early retirement.

Swedish banks show surge in earnings

By Sara Webb in Stockholm

GOTABANKEN and Nordbanken, Sweden's fourth and fifth largest commercial banks respectively, both reported surges in their operating profits for 1988, helped chiefly by higher volumes on the lending side.

Gotabanken increased its operating profit to SKr708m ($112.6m) in 1988 from SKr279m in the previous year, when the bank's operating profit was badly hit by losses incurred in options trading.

Gotabanken's profit before allocations and taxes dropped 34 per cent from SKr941m in 1987 to SKr621m last year, which the bank said reflected the fact that 1987 results had been boosted by extraordinary gains from the sale of two subsidiaries. The board will propose a figure for the dividend later this spring.

The bank's total revenue increased by 37 per cent to SKr2.099bn. Net interest income jumped 20.4 per cent to SKr1.554bn due to increased volume in lending and higher interest margins.

Last year had been "another good year for the Swedish banks, another year of volume expansion," said Mr Bjoern Rosengren, chief economist at Gotabanken.

He said commissions from foreign exchange dealing had risen significantly. However, commission income from the bond, money market and equity side had fallen over the past two years.

Nordbanken more than trebled its operating profit for 1988 to SKr851.1m from SKr267.1m, due to a sharp reduction in costs and increased income on the interest and commission side. The board proposed raising the dividend from SKr4 to SKr5.

The bank's management has implemented a far-reaching cost-cutting programme and has taken a tougher line on credit losses.

In 1988, credit losses were reduced to SKr88.8m from SKr332.8m in 1987, while other cost increases were held in check. Total costs fell from SKr1.034bn to SKr790.9m in 1988.

Co op share trading suspended amid accountancy doubts

By Haig Simonian in Frankfurt

SHARES IN Co op, the troubled West German food retailer now controlled by a group of international banks, were suspended on the Frankfurt bourse yesterday after a statement from the Frankfurt state prosecutor's office that the company's former top management was suspected of systematically falsifying its accounts since 1985.

The shares, which closed at DM298 ($162) on Wednesday, are to remain suspended at least until a meeting of Co op's creditor banks on February 24, according to the Frankfurt Stock Exchange.

The six-bank "pool" now co-ordinating the creditor side of Co op's affairs, responded cautiously to reports from the state prosecutor's office that internal Co op documents showed the group's debt was around six times higher than published in its accounts. According to the banks, the degree of Co op's actual indebtedness is "far from the quoted extent."

The "pool" banks admit the group's debt was undoubtedly higher than shown in its last published accounts, but say they cannot explain the factor of indebtedness quoted by the state prosecutor.

The discrepancy probably arises from Co op's highly unusual structure under its former management. In particular, two key subsidiaries, the Swiss-based Garvey Holding, and HIG Handels-Investitions Gesellschaft, based in Hamburg, are believed to have incurred a heavy debt burden which was never reflected on the parent company's books.

It has been a bad week for the "pool" banks – most notably Swiss Bank Corporation, Amro, Security Pacific and Svenska Handelsbanken, the four banks which now own over 70 per cent of Co op's shares.

On Wednesday, a group of 50 police, tax and legal officials searched a number of Co op's offices, including its Frankfurt headquarters, as well as the homes of four former directors and the chief accountant. According to the state prosecutor's office, apart from misrepresentation of the company's debt, the former executives may also have been involved in tax evasion and misrepresentation of the company's affair's in its bourse prospectus.

The "pool" banks have sought to distance themselves from the operation, which they identify as being a residue of the "old" Co op and its management. All three of the former directors, led by the chief executive, Mr Bernd Otto, were sacked in December.

Since then, Co op's 130-odd creditor banks, led by the "pool," have moved to bolster its finances and appoint a new chairman to the supervisory board, which has in turn brought in new senior management to restore morale at the embattled group.

The pool banks said they would be putting forward a restructuring programme to all Co op's creditor banks on February 24. In a perhaps significant use of words, acceptance of the package would mean Co op's continuation "would not be endangered," they noted.

How easy it will be to gain that acceptance in view of the latest events remains unclear. A number of well-informed Frankfurt bankers say the latest revelations about Co op's affairs under its previous management may still only be the tip of the iceberg.

Strong advance at Oce in fourth quarter

By Laura Raun in Amsterdam

OCE-VAN DER GRINTEN, the dutch photocopier maker, lifted earnings in the fourth quarter of fiscal 1988 thanks to design engineering copiers, currency movements and efficiency measures.

Net income rose 12 per cent to Fl 21.2m ($10m) or Fl 7.26 a share, from Fl 19m or 6.44 a share a year earlier. Sales edged up 3 per cent to Fl 510.3m, from Fl 494.5m. The fourth quarter was the strongest period of the year ended November, 1988.

Oce expects that "the steady improvement in the results which started in mid-1988 can be continued in 1989."

For all of 1988 earnings edged up 1 per cent to Fl 76.1m or Fl 26.02 a share, from Fl 75.1m or Fl 25.71. Revenue rose 2 per cent to Fl 1.87bn from Fl 1.83bn.

DnC loan losses top estimates by NKr300m

By Karen Fossli in Oslo

DEN NORSKE Creditbank (DnC), the Norwegian bank, announced yesterday that losses on loans and guarantees for 1988 had totalled NKr1.8bn ($270m),or NKr300m or so above earlier estimates.

The bank said that NKr300m of the provisions were primarily attributable to "a most unfavourable development in connection with a major commitment at DnC Luxembourg."

DnC said that it was assuming – for accounting purposes – that the Luxembourg loan would not be recovered since the debtor, a Luxembourg trading company, could well be made bankrupt.

Overall, however, the bank continued to progress. Pre-tax operating profits for last year totalled NKr881m, against a deficit of NKr254m in 1987. At the net level there was a loss of NKr965m compared with NKr1.470bn last time.

The bank said that compared with 1987, "a higher proportion of loan losses in Norway can be ascribed to private individuals and small to medium-sized companies," although "losses on loans to the manufacturing, offshore and petroleum sectors clearly show a falling trend."

Although net interest income as a percentage of total assets improved, interest payments not made on a number of non-performing loans made a negative contribution to DnC's overall result.

Favourable developments in the securities and foreign exchange businesses has continued this year.

Total assets declined to NKr102.7bn from NKr127.5bn. DnC said that group equity capital stood at about 6.9 per cent of adjusted assets at the year-end.

Asset sales boost Rauma-Repola

RAUMA-REPOLA, the Finnish metal and forest products group,reports a pre-tax profit of FM745m ($175m) for 1988,including FM630m generated from sales of assets, compared with FM125m in 1987, when assets disposals contributed FM159m. Turnover amounted to FM9.7bn, up 13 per cent from the year earlier, writes Olli Virtanen in Helsinki.

The company said its earnings had been held back by lossesof FM300m in the shipbuilding and marine technology division.

INTERNATIONAL CAPITAL MARKETS

Swedish Export Credit taps Eurosterling sector

By Andrew Freeman

STERLING BONDS provided the only new issue excitement in the Eurobond market yesterday as Swedish Export Credit (SEK) launched a £100m seven-year deal, while most securities houses waited for US trade figures for December due today.

The sterling sector of the Euromarkets is a law unto itself at the moment, because investors see the UK as one place where further interest rate rises are unlikely. Lead managers have identified demand for paper in the seven to 10-year maturity range.

The World Bank tapped this demand on Tuesday with a 10-year £100m issue which was bid in the market yesterday at a discount to issue price of 1.99 per cent, just within total managing and underwriting fees.

The SEK issue was brought by Union Bank of Switzerland and was priced at 101½ to yield some 38 basis points over the 10 per cent government bond maturing in 1996. Despite a coupon of 10⅞ per cent, many traders felt the pricing was tight and said that co-managers would struggle to place their allocations.

UBS reported considerable demand from German, Swiss and UK institutions, with limited Japanese interest. An official said the bonds were trading at less 1⅞ bid, just on full fees.

The issue proceeds were swapped into floating-rate US dollars. The lead manager would not disclose the funding rate achieved, but others in the market speculated that the likely rate was some 55 basis points below Libor.

This was some way below the rate SEK is thought to demand in other currencies.

INTERNATIONAL BONDS

Tuesday's World Bank deal is believed to have been swapped into floating-rate dollars for a funding rate of around 50 basis points below Libor.

Several traders commented that the pricing of the issue against the 10 per cent 1996 gilt gave an artificial impression of the yield available on the bonds.

"That gilt is an illiquid and expensive issue. It would have been much more accurate to price the SEK bonds against, say, the 10¼ per cent due 1995, or even the 10½ per cent due 1997," said one dealer. Against the 10¼ due 1995, the SEK spread would have been a mere 17 basis points.

The UBS official said it was common practice to price an issue against a gilt of the same maturity. "We priced the recent Trusthouse Forte deal against the 10 per cent of 1996, and that was widely accepted," he said. "The yield curve in this sector is open to interpretation."

After the recent confusion of recent weeks, the Matador sector was tapped with the full approval of Spanish financial authorities. J.P. Morgan was the lead manager of a Pta10bn deal for the Council of Europe. The five-year bonds carry a 12 per cent coupon and were trading inside fees at less 1¼ bid.

The issue was aimed primarily at domestic Spanish demand, but was also popular in Germany where investors were attracted by the coupon and by the currency play. The issue proceeds are thought to have been swapped into floating-rate US dollars.

Australian dollar-denominated Eurobonds were badly hit following poor Australian current account figures, and many bond prices were severely marked down in the grey market, where bonds are traded before formal issue. Among benchmark issues, Kingdom of Sweden 15 per cent 1994 bonds dropped a point to less 3⅜ bid, while ICI 15 per cent 1992 fell ⅜ to less 4½ bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kansallis-Osake-Pankki◆	200	10	101⅛	1996	1⅞/1¼	Nomura Int.
Final terms fixed on:						
Bank of Tokyo(a)‡◆	100	3⅞	100	2004	2½/1⅛	Bank of Tokyo Cap.Mkts
Kansai Paint Co.(b)◆	150	4¼	100	1993	2¼/1½	Yamaichi Int. (Eur)
STERLING						
Swedish Export Credit◆	100	10⅞	101½	1996	1⅞/1¼	UBS (Secs)
PESETAS						
Council of Europe◆	10bn	12	101.15	1994	1⅞/1	J.P. Morgan Espana
YEN						
Marubeni Int. Finance(c)◆	10bn	7.45	102	1999	2/1⅛	S.G. Warburg Secs.
Toronto-Dominion Bank(d)◆	5bn	7⅞	101⅛	1994	1⅞/1¼	Yamaichi Int. (Eur)
SWISS FRANCS						
Final terms fixed on:						
Bank of Tokyo(e)★★‡◆	300	¼	100	1994	n/a	UBS
Bank of Tokyo(e)‡◆	200	¼	100	1994	n/a	UBS
Seitetsu Kagaku Co.(f)★★‡◆	80	¼	100	1994	n/a	Nomura Bank(Switzerland)

‡With equity warrants. §Convertible. ★★Private placement. ◆Final terms. a) Coupon fixed as indicated. b) Coupon indicated at 4⅛%. c) Coupon in A$. d) Put and call 1992 at par. e) Put option fixed at 106⅛ to yield 2.202%. f) Put option fixed at 103⅜ to yield 1.978%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 16

US DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price change... On day −0⅛ on week −0⅛

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price change... On day +0⅛ on week +0

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price change... On day −0⅛ on week −1¼

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

Average price change... On day +0.07 on week +0.00

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price change... On day −0⅛ on week −0⅛

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Tighter OTC rules for Tokyo flotations

By Stefan Wagstyl in Tokyo

THE JAPANESE authorities are tightening rules covering the flotation of companies on the over-the-counter market in the wake of the Recruit scandal.

The Securities Dealers Association of Japan, which supervises the market, said this week it would from April introduce a compulsory auction system for the sale of shares in a new issue. The Tokyo Stock Exchange has already said it is launching a similar system for companies seeking a listing.

The measures are intended to make the pricing of new issues more transparent. They are also aimed to prevent new issues soaring to high premiums on the first day's trading to the benefit of those allotted shares before they are quoted.

In the Recruit case, leading politicians and others made large profits from buying shares in Recruit Cosmos, a property company, on favourable terms just before it was floated in 1986.

Following the reform, companies seeking an OTC quotation will be required to offer 3.75 per cent of outstanding equity, plus a further 175,000 shares – or at least 250,000 shares – at a pre-flotation auction.

The minimum price will be set by referring to the prices of similar quoted companies. The maximum acceptable bid will be 30 per cent above the floor price.

In addition, sales of shares in a company bound for the OTC market will be banned in the two years before flotation – instead of 12 months as at present. Shareholders will be obliged to hold shares for at least 12 months after the flotation.

The securities industry hopes the measures will help restore investor confidence in the OTC market, whose reputation has suffered as a result of the Recruit affair. Turnover has fallen since the scandal broke last June.

Swiss market equity financing drops sharply

By William Dullforce in Geneva

NEW EQUITY issued on the Swiss stock market tumbled from SFr7.5bn in 1987 to SFr4.3bn ($2.75bn) last year, according to the latest research report from Bank Vontobel in Zurich.

The figures cover rights issues, placements and initial public offerings. In addition the market absorbed SFr1bn in equity generated by the exercise of warrants and convertible rights, bringing total equity financing in 1988 to SFr5.3bn, against SFr8.3bn in 1987.

When dividends distributed by listed companies are subtracted, the net amount of equity financing raised in the Swiss market last year comes to only SFr900m compared with SFr4.2bn in 1987 and SFr4.4bn in 1986.

Bank Vontobel's analysis highlights the sharp reduction in new issues of non-voting participation certificates (PCs), from SFr2bn in 1987 to SFr700m last year.

Foreign investors, at whom PCs were mostly aimed, have largely shunned this stock category since the October, 1987 crash and Bank Vontobel does not expect many PC issues in 1989. The exception could be more initial public offerings in PCs by some of the bigger Swiss cantonal banks.

A clear shift to convertible bond issues away from bonds with warrants was also apparent in the Swiss market in 1988. Issues of warrants fell from 47 in 1987 to 20, or in value terms from SFr3.7bn to SFr1.9bn. The number of convertibles climbed from two to 14 with the value increasing from SFr200m to SFr1.1bn.

Bank Vontobel makes what it regards as a fairly exact estimate of the new equity likely to be generated by the exercise of warrants and convertible rights in 1989.

There is little likelihood of a major negative effect on bearer and registered share prices from new equity generated by warrants and convertibles, it concludes. But the PC market will have to absorb a larger supply, so that prices of some stocks can suffer.

Here Bank Vontobel points to a "striking concentration" of in-the-money warrants and convertibles in the big Swiss banks.

Of the total potential value of SFr1.66bn in bond issues carrying warrants and convertible rights expiring during the year, SFr835m was in-the-money at-1988 with striking prices below market rates.

An average rise in stock prices of 10 per cent from the year-end level would boost the in-the-money warrants and convertibles by SFr202m.

COMPANY NOTICES

COMPAGNIE BANCAIRE

Société Anonyme

Incorporated in France with limited liability. Regd. Office: 5 avenue Kléber, Paris 16 ème.

NOTICE OF ORDINARY GENERAL MEETING

The shareholders of Compagnie Bancaire are invited to attend the Ordinary General Meeting to be held on Tuesday, 21st March, 1989, at 3.00 p.m. at the Head Office, 5 avenue Kléber, Paris 16 ème, to consider the following Agenda:

- The Report of the Board of Management.
- The comments of the Supervisory Board.
- The Reports of the Auditors.
- The approval of the accounts for 1988 and appropriation of the profits.
- The ratification of the appointment of a member of the Supervisory Board.
- The re-election of four members of the Supervisory Board.
- The remuneration of the members of the Supervisory Board.
- The remuneration of the Censors.
- The authorisation to the Board of Management to issue bonds up to a maximum outstanding amount of F.fr. 60 billion.
- The authorisation to the Board of Management to buy and sell shares of the Company on the stock exchange in order to regulate their price.
- Any other business.

In order to attend or be represented at the Meeting, owners of registered shares must have been entered on the register five clear days prior to the Meeting. Holders of bearer shares must deposit, at least five clear days prior to the Meeting at the Head Office, the certificate of deposit, issued by the bank, financial institution or stockbroker with whom the shares are lodged.

The shareholders who wish to vote by post must register at the Head Office of the Company six days in advance of the Meeting and postal votes must be received at the Head Office of the Company on the appropriate form three days in advance of the Meeting.

Shareholders who wish to attend the Meeting are requested to make advance application to the Company for an admission card.

LEUMI INTERNATIONAL INVESTMENTS N.V.

US$60,000,000 GUARANTEED FLOATING RATE NOTES NOVEMBER 1989 EXTENDIBLE AT THE HOLDER'S OPTION TO 1992

Notice is hereby given pursuant to Condition 4 (A) of the Terms and Conditions of the Notes that any Noteholder may, at his option, extend the maturity of any Note(s) of which he is the holder to (and only to) the Interest Payment Date falling in November 1992 by presenting such Note(s) to any Paying Agent at any time up to and including the third business day prior to 31st May, 1989 with the notice(s) of exercise of the option to extend thereon duly completed.

17 February, 1989

PRINCIPAL PAYING AGENT
Bank Leumi Trust Company of New York
579 Fifth Avenue, New York, NY 10017

PAYING AGENTS
Bank Leumi (UK) plc
4/7 Woodstock Street, London W1A 2AF

Bank Leumi le-Israel (Switzerland)
24 Claridenstrasse, CH-8022 Zurich

Bank Leumi le-Israel (France) S.A.
30 Boulevard des Italiens, 75009 Paris

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INTERNATIONAL CAPITAL MARKETS

Bundesbank gives world markets breathing space

By Katharine Campbell in London and Janet Bush in New York

EUROPEAN markets breathed a sigh of relief when the German central bank did not raise rates at its fortnightly council meeting. The Bank of France also left its intervention rate unchanged at 8.25 per cent at yesterday's repurchase tender. But the prevailing view is this was but a temporary reprieve.

On Matif, the French futures exchange, the March 10-year future had already discounted the rate news in its opening price which was 52 basis points firmer than the previous close, at 105.34. The market failed to sustain that level and closed at 105.16 on the official floor.

The Dutch market was some 20 basis points firmer, and on Liffe in London the German bond future ended at 94.30 after 94.09 on Wednesday.

UK government bonds were also slightly firmer on the day. The market shrugs off most economic data these days – though today's retail price index may be an exception – and yesterday's average earnings data, constant and broadly in line with expectations, hardly moved prices.

This has become almost a one-theme market – and the theme is simply the danger of selling when the biggest buyer is the Bank of England. The March long bond on Liffe closed ⅛ of a point up at 98¼.

US TREASURY bonds continued yesterday gradually to recoup some of their recent losses, encouraged somewhat by the fact that the Bundesbank did not raise either the West German discount rate or the Lombard rate as had widely been speculated.

In late trading, the Treasury's benchmark long bond stood ⅛ point higher to yield 9.05 per cent.

The bond market shrugged off an 8 per cent jump in January housing starts which compared with the consensus forecast of a 3.7 per cent increase because the much larger rise was mostly attributed to unseasonally mild weather.

Morning price gains were limited as the dollar came off the highs reached after the lack of Bundesbank action. In late trading, the dollar was quoted near its session lows at Y126.07 and at DM1.8385.

Trading in both bond and currency markets was cautious yesterday prior to the release today of US trade figures for December. Consensus estimates suggest a deficit of around $11.5bn compared with the $12.51bn shortfall in November on a cost, insurance and freight basis.

The US Federal Reserve yesterday announced four-day matched sales to drain liquidity from the money market after Fed Funds opened at 9¾ per cent. Bond analysts believed that the operation confirmed a new Fed Funds target of at least 9¾ per cent or higher because of a modest need to drain yesterday. Fed Funds closed at 9⅝ per cent.

THE AUSTRALIAN bond market fell sharply on the very poor January current account numbers. Yields on the key 12 per cent Commonwealth bond due 1999 rose 35 basis points to close at 14.25 per cent. Such yield levels have not been seen in Australia for three years. The market's fall was exacerbated by misplaced optimism, which brought a rally before the figures were released.

Whereas the market had expected a deficit between A$850m to A$1bn, the actual figure proved to be a very high A$1.5bn. A statement by the Australian treasurer Paul Keating that the Government would not tighten monetary policy further but would tolerate a weaker currency immediately took the A$ lower. It fell $0.03 cents, and a further cent or so during London hours.

Despite the finance minister's pronouncements, 90-day bank bills climbed sharply and are now at 17.1 per cent.

TRADE IN the Japanese government bond market is particularly slow as the March 31 year end approaches. Yesterday, dealers reported continued switching from listed to unlisted securities.

In the latter category is the No.117 bond with a 4.7 per cent coupon issued in February, but which is not officially listed until after the year-end. Five-year bank debentures have also been a popular destination for bond sellers' cash.

On balance, prices firmed a touch over the day, largely as a result of traders covering short positions. Extra liquidity from the central bank, in the form of a Y300bn bill-buying operation, also improved the tone.

The benchmark No.111 4.6 per cent closed to yield 4.92 per cent after 4.94 per cent on Wednesday. In London, relief that the Bundesbank had not upped its rates helped yields shed another point.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-06	+4/32	10.38	10.21	10.47
		9.750	1/98	100-00	+2/32	9.75	9.66	10.05
		9.000	10/08	101-02	+10/32	8.88	8.92	9.19
US TREASURY *		9.000	11/98	97-23	-2/32	9.23	9.05	9.05
		8.875	11/18	99-08	+7/32	9.07	8.90	8.89
JAPAN	No 111	4.600	6/98	97.9832	+0.126	4.92	4.88	4.81
	No 2	5.700	3/07	108.5056	-0.211	4.82	4.80	4.77
GERMANY		6.375	11/98	96.8500	+0.125	6.85	6.78	6.68
FRANCE	BTAN	8.000	1/94	95.3585	-0.036	9.20	8.98	8.47
	OAT	8.125	5/99	94.3500	+0.055	8.98	8.78	8.43
CANADA *		10.250	12/98	99.75	-0.25	10.29	10.08	10.08
NETHERLANDS		6.7500	10/98	98.5250	+0.450	7.04	6.98	6.74
AUSTRALIA		12.000	7/99	88.1772	-1.485	14.19	13.88	13.11

London closing, *denotes New York close. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Sweden to automate bourse trading

By Sara Webb in Stockholm

THE STOCKHOLM bourse is to replace its call-over and after-market trading with an automated trading system starting on June 2.

The changeover will take place gradually, according to Mr Bengt Ryden, chief executive of the stock exchange, and the automated system should become fully operational during 1990, allowing brokers to conduct business from their offices instead of from the bourse floor.

Orders will be sorted and matched in the computer system although with large bloc deals of over 50,000 shares, brokers will be free to trade outside the system. Initially the new system will be used for trading equities, but it can also be extended to trading in bonds, convertibles and other financial instruments, Mr Ryden said.

The decision to launch SAX, as the trading system is known (it stands for Stockholm Automated Exchange, but it is also reputedly a testimony to Mr Ryden's love of jazz), is meant to help put Stockholm back on the pedestal as the leading market for trading in Swedish equities.

"SAX will strengthen the competitiveness of the Swedish capital market and allow for considerable rationalisations, lower transaction costs, and improved liquidity," Mr Ryden said.

Since the Government doubled the turnover tax on equities in 1986, business in the main Swedish stocks has flown to London and New York with the result that the main corporate names, like Ericsson and Volvo, do more business overseas than in the domestic market.

SAX was due to come into operation last October, but problems in finding a suitable sub-contractor to develop the software delayed its launch. It is expected to cost about SKr60m ($9.5m) in the first five years.

Mr Ryden hopes that the start of an automated trading and information system will "set the stage for a true Nordic market".

Life after the Wasserella walkout

Stephen Fidler on the turmoil at Credit Suisse First Boston

A year ago, the mergers and acquisitions team at First Boston was in turmoil. The resignations of Bruce Wasserstein and Joe Perella, the heads of the firm's successful investment banking group in New York, and 14 colleagues had surrounded the firm with unwelcome publicity.

The move by the two men to form their own firm, in which the Japanese securities house Nomura subsequently bought a 20 per cent stake, placed a question mark over First Boston's place in the top three mergers and acquisitions firm in the US.

In another potentially destabilising development, First Boston was discussing a reorganisation which eventually resulted at the end of last year in its going private. First Boston in North America now forms one of three global subsidiaries of CS First Boston, a holding company which also groups Credit Suisse First Boston in London and an Asian-based subsidiary whose final shape is not yet clear.

Last year, First Boston slipped one place in the global mergers and acquisitions table, with Morgan Stanley – adviser on the $25bn leveraged buyout (LBO) for RJR-Nabisco – leap-frogging both Goldman Sachs and First Boston into the number one slot, according to some calculations.

Nevertheless, the total value of the deals on which First Boston advised grew to $71.2bn, according to figures from Euromoney.

Outsiders may claim that some of that represented momentum from "Wasserella" – as the pair are called on Wall Street. (Wasserella itself advised on $39bn of deals last year.) However, Mr James R Maher, a former co-manager of M&A who was given joint responsibility after the defections, claimed in London yesterday that the efforts to regroup the firm's 175-strong M&A operation had been satisfactory.

"The longer-term goal is to put ourselves in a position of predominance on a global basis," he said, an aim which should benefit from the firm's reorganisation, officials say.

Under the old arrangement, First Boston was responsible for M&A throughout the group, even in London where CSFB's responsibilities simply covered the capital markets. "We were operating like two different firms," said Mr Maher. "CSFB didn't get the full benefit from First Boston's activities in Europe and First Boston didn't derive full benefit from CSFB's business in Europe." Its aim is to retain its prime position of 1988 in cross-border M&A.

With management now freed from the problems of worrying about its own corporate structure, he said the firm can now begin to look elsewhere. While across the globe, M&A business has got off to a slow start again this year, First Boston's own figures show it dominating market share. In January, it advised on 14 deals valued at a total $13.6bn, almost double its nearest rival. Wasserstein Perella was in equal fourth place, involved in one deal worth $2.4bn.

Mr Maher admitted that one month is too short a period over which to draw too many conclusions, but saw activity in general picking up over the rest of the year.

While stock prices in the US have risen, they still have not intersected the point at which takeovers and buy-outs are attractive. And while the RJR-Nabisco deal may prove the largest LBO for some time, it has proved the flexibility of both bank and junk bond finance. His belief is that new rules on the conduct of LBOs may follow but that legislation on the deductibility of interest for tax purposes to close the door on most leveraged deals will not result.

While many of the issues had been addressed, according to Mr Maher, the changing nature of the business means that more decisions had to be made. First Boston has to expand, he said, into "niches of profitability." These might include developing money management and its junk bond business, for example, where it claims a second place with a 14 per cent market share – the head of the also-rans behind Drexel Burnham Lambert. Other business may be de-emphasised.

In Europe, where the firm's M&A operation is the responsibility of Mr Anthony Freeman, First Boston sees slow growth in the junk bond market but opportunities ahead of the lifting of capital barriers in Europe in 1992. The more open UK market suggests that much of that activity will be through London. As 1992 approaches, howver, the firm has already made it clear that it fears a regime of excessive European regulation.

Call warrants on French market index launched

By Katharine Campbell

BANKERS TRUST International yesterday launched the first series of call warrants on the French stock market index, the CAC40. The issue, for 250,000 American-style three-year call warrants, is expected to be listed in both Paris and Luxembourg.

Call warrants give investors the right, at a price, to benefit from a rise in the equity index. These warrants are struck at an index level of 1715, which is 5 per cent above the level at which the CAC 40 traded in Paris yesterday morning.

Thus if the index rises above 1715 during the next three years, the call purchaser can exercise his warrant.

The price for this at issue was FFr375, though by the end of the day warrants were quoted on BT's screens at 368-378, up on the day taking account of the FFr10 fee. The issue, roughly two thirds of which was pre-placed, is co-led by Caisse des Depots et Consignations, Paris and includes an international syndicate of banks and securities houses.

The warrants appeared to have been well received in the market. They are similarly priced to the short three-month cash options on the CAC40 which trade on the floor of the Paris stock exchange.

Bankers Trust and other houses have brought a number of similar warrants on other country indices, in what is a developing market for sophisticated equity derivative products.

Several sets of warrants have been based on the Japanese market, with one on the German and one on the British market too.

NBB's trading volume in third world debt soars

By Norma Cohen

NMB BANK, a major Dutch bank, said its total trading volume in third world debt rose to $8bn in 1988 from $3.4bn in 1987. The number of transactions handled – involving the purchase, sale or swap of claims on highly indebted nations – nearly doubled to 2,000.

Overall, NMB Bank estimates worldwide turnover in asset trading in 1988 at $40bn, leading to an estimate reduction in total debt outstanding of about $15bn.

Mr Gerrit Tammes, vice chairman, said the outlook for trading in third world debt in 1989 is uncertain since debt-conversion schemes in several countries, particularly Brazil, are under review. Since Brazil's announcement in early January of the suspension of its own debt conversion scheme, the average price of all LDC loans has fallen below 40 cents on the dollar for the first time since 1987.

But Mr Tammes said that while debt conversion schemes could be on the wane, debt buybacks by LDC nations are likely to be stepped up. Although commercial banks initially opposed allowing debtors to buy their own loans back at a discount, recent rescheduling agreements are increasingly including clauses allowing them to do so, he said.

● Reuter reports from Tokyo: Nikko Securities may shed more staff at Nikko Securities International, its New York-based unit, after cutting 40 jobs in January, according to an official of the Nikko parent company.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday February 16 1989

Figures in parentheses show number of stocks per section

[illegible]

	Index No.	Day's Change %	Day's High (a)	Day's Low (b)	Feb 15	Feb 14	Feb 13	Feb 10	Year ago
FT-SE 100 SHARE INDEX♦	2033.8	-13.7	2048.4	2029.2	2047.5	2049.1	2032.7	2056.1	1734.1

♦Opening index 2048.4; 10 am 2040.5; 11 am 2035.0; Noon 2030.5; 1 pm 2031.3; 2 pm 2035.0; 3 pm 2036.7; 4 pm 2034.0; 4.05 pm 2034.0

CONSTITUENT CHANGES: Ryan International (3) has been deleted and replaced by NFC Varied Voting (45).

FIXED INTEREST

PRICE INDICES / AVERAGE GROSS REDEMPTION YIELDS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	88	7	14
Corporations, Dominion and Foreign Bonds	10	2	39
Industrials	414	360	809
Financial and Properties	168	140	362
Oils	25	31	44
Plantations	0	1	11
Mines	37	57	92
Others	107	36	102
Totals	849	634	1,473

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Feb 6
● Last Dealings Feb 17
● Last Declarations May 18
● For settlement May 30

For rate indications see end of London Share Service

Calls in Astra Hldgs, Wimpey, Suter, Deres Ests, BSR, Lonrho, Priest Bp, Bestwood, CI Group, Charterhall, KCA Drilling, Bougainville, De La Rue, Gent SR, Hobsons. Puts in TVS, Hopkinsons. P/C Astra Hldgs.

LONDON TRADED OPTIONS

RACAL, downgraded by a major securities house, and losing ground on the underlying market, might have taken pride of place on the London Traded Options Market yesterday, had it not been for substantial closing of positions in the FT-SE 100 Index contract. The index option has been heavily traded of late against a background of stories of business running onto the trading floor in London from a provincial house.

It appeared yesterday that substantial unwinding of positions took place. The main activity in the index option lay in the February 1950 calls which found turnover of 2,077, some half of which represented closing of position, the February 2100 calls, which attracted 1,420 contracts, mostly opening, and the March 2,000 calls, in which dealings of 1,960 contracts were for the more part closing.

The index itself lost ground on the day, falling 13.7 points to 2,033.8, as the market studied interest rate prospects in Europe and in the US, and awaited in particular today's announcements of UK retail price inflation figures and US overseas trade deficit news. The fall took place in spite of some upward drag on the index emanating from dealings in it on the London International Financial Futures Exchange, which have in their own turn been of late closely connected with dealings on the options market.

Overall options market dealings reached the modest total by any recent measure of 37,812 made up of 28,851 calls and 8,961 puts. Index trading came to 13,290 contract – more than one third of the market total, and consisting of 10,339 calls and 2,951 puts. The index saw in overall perspective a modest closing of open interest in the calls, and a modest opening in the put – with the call side including substantial switching of positions.

Racal calls came to 1,946, including some switching of interest into longer dated series, such as the May 360s.

[illegible]

UK COMPANY NEWS

Acatos denies bid talks and shares fall by 25p

By Clare Pearson

MR IAN HUTCHESON, chairman of Acatos & Hutcheson, the edible oils and fat manufacturer, moved to halt the recent speculative run on his company's shares yesterday with a strong denial of takeover rumours.

Speaking at the company's annual general meeting, he said: "I can assure shareholders that the board is not aware of any proposals for a management buy-out, nor has an approach been received from a third party."

The shares, which had moved up from about 190p over the last month, promptly shed 25p to close at 218p.

Mr Hutcheson accompanied his statement with a warning that difficult business conditions prevailing at the end of last year continued and were, if anything, worse.

Mr Carl Short, food manufacturing analyst at stockbrokers Kitkat & Aitken, said he was continuing to forecast pre-tax profits of £8m, down from £11.78m, for the year to end-September.

Mr Short pointed out that substantial share stakes held by directors and other friendly parties meant it would be difficult for a predator to launch a hostile takeover offer for Acatos. At the same time, with no let-up in uncertainty about the future of the British edible oils market, it appeared to be a difficult time to put together a management buy-out proposal.

Acatos' share price, which stood at nearly 500p this time a year ago, has suffered a dramatic slide amid worsening information about its commodity businesses.

The central problem is that overcapacity in the British edible oils market has been exacerbated by the inroads of Continental importers, able to undercut in price terms because of the rise in sterling against the D-Mark.

In addition, Acatos has been hit by higher UK interest rates. It has been expanding into the more favourable Spanish market, but is not expecting profits from this source until early next decade.

CHI £15m preference issue

By Nikki Tait

CH INDUSTRIALS, the specialist engineering, building and chemicals group, yesterday announced a £15m issue of cumulative redeemable preference shares.

The company said that the issue, conditional on shareholder's approval, would reduce gearing and facilitate a number of "infill" acquisitions.

The 15m shares carry a coupon of 9¾ per cent. They were issued at 101.506p, giving a yield of 12.632 per cent – a margin of 3.75 per cent over the gross redemption yield on 9 per cent Treasury Stock 2008 at 3pm yesterday. The issue was underwritten by Kleinwort Benson.

A number of corporate finance departments have suggested that preference share issues might be due for a revival in popularity – partly because of the volatile ordinary equity market.

Yesterday, CHI said that it had taken this funding route because it appeared the most efficient and appropriate means of meeting its increased capital requirements.

Although denying that CHI had been advised against the alternative rights issue path, Mr Tim Hearley, chairman, said that the company would prefer to go to shareholders if a single major acquisition was in mind.

CHI currently has debt of around £40m – including all leasing and HP finance, and excluding its investment holdings – giving a gearing ratio of around 80 per cent. If the new shares are treated as equity, the gearing ratio falls around 30 per cent.

In the current year, CHI said it had invested over £12.5m in buying other companies and businesses for cash and in meeting deferred considerations on earlier acquisitions. It added that it also expected to have invested over £8m on new capital equipment by the end of its current financial year.

Bowater lifts Norton Opax stake to 25.7%

By Andrew Hill

BOWATER INDUSTRIES, the packaging and industrial products group, has increased its stake in Norton Opax, the specialist printer, from 23.7 to 25.65 per cent just over a week after it sold 1m shares in line with a Takeover Panel ruling.

The packaging company acquired the bulk of the stake from Mr Robert Maxwell's Bishopsgate Investment Trust on January 20. It is thought the 3.12m Norton shares bought yesterday were held by Maxwell pension funds, and had been promised to Bowater when it bought the original stake in January.

Despite Norton's suspicions about Bowater's intentions, the packaging group has said it is a supportive shareholder and has met Norton's management to discuss co-operation.

General Consd

General Consolidated Investment Trust net assets at the year ended December 31 1988 stood at 200.4p per capital and 53p per income. A final dividend of 4.49p, making a total of 8.44p, is proposed.

WCRS sets up TV production company with ex-Trilion staff

By Andrew Hill

WCRS GROUP, the advertising and communications group, has lured some of the management and production staff of Cheerleader, which claims to be Europe's biggest independent sports television production company, away from Trilion, the TV facilities group. It is WCRS' first direct move into television production.

Seven Cheerleader employees, including the former managing director and former deputy managing director, have set up a new company, Grand Slam Sports. WCRS will pay them up to £4m, dependent on Grand Slam's profits over the next three or four years.

Trilion, which will retain the Cheerleader name, said yesterday it had lost no important business as a result of the moves to Grand Slam. It said Cheerleader continued to work at full strength and had replaced most of those employees who left.

Cheerleader has been responsible for much of the independent sports programming on Channel 4, including the American football and sumo wrestling series.

Grand Slam is to join Pascoe Nally International, WCRS' sponsorship business which is headed by Mr Alan Pascoe, the former Olympic hurdler.

PNI said yesterday that Grand Slam would continue to produce the same style of programme and has planned 100 hours of airtime of 32 sports in 22 countries during 1989, including programmes for BBC, ITV, Channel 4 and Sky, the new satellite TV company.

Grand Slam will also link up with WCRS' other divisions, in particular the media-buying operation. In addition the new company will produce educational soccer programmes for WCRS' new joint venture aimed at promoting soccer in the US.

Scottish Metro

Scottish Metropolitan Property is issuing a further tranche of £30m nominal of 10¼ per cent first mortgage debenture stock 2026 at a price to be fixed by reference to a margin of 1.4 per cent over the yield of 9 per cent Treasury stock 2008. This tranche increases the amount of the stock in issue to £60m.

Currency influences help lift Photo-Me to £8.72m

By Peter Franklin

PHOTO-ME International, the photograhic booth manufacturer and operator, reported pre-tax profits increased 30 per cent from £6.68m to £8.72m for the six months to October 31 1988.

This result was achieved after an increased depreciation charge of £3.06m (£2.43m) and came from turnover up from £39.5m to £50.3m, a 27 per cent rise.

After tax of £3.21m (£2.52m) and minorities of £692,000 (£786,000) earnings per 5p share worked through at 16.39p (11.44p). An improved interim dividend of 1.2p (0.6p) is declared.

Mr P D Berridge, company secretary, said that the net effect of currency movements had produced a positive result on the figures and that, subject to there being no significant movements in exchange rates, current returns indicated continued growth in trading profit during the second half.

With some two-thirds of sales and half the profits coming from overseas, last year's results were adversely affected by the strength of sterling, resulting in a currency loss of some £1.3m at the year-end.

The shares closed 5p up at 430p.

Hopkinsons to dispose of loss-making core business

By Nick Garnett

HOPKINSONS HOLDINGS, the troubled specialist valve maker is to put up for sale its core manufacturing business in Huddersfield.

A prospectus is expected to be issued shortly for the sale of Hopkinsons Ltd, which accounted for about a third of the group's sales of £73.7m last year.

The group announced on Friday that it was shutting Hopkinsons Ltd with the loss of about 1,000 jobs.

The announcement was made during negotiations with union officials over a long running dispute at the Huddersfield site.

A management group, with employee participation is being formed to try and buy the company which manufactures steam valves, actuators, boiler mountings and soot blowers.

The group is led by Mr Philip Thomas, a former chief executive of Hopkinsons Ltd. His group would be looking to raise about £10m for the purchase, he said.

The company is believed to have been making losses at the rate of £300,000 a month. Mr Thomas said there was no need for the company to make losses. "It is a question of management," he said yesterday.

UK COMPANY NEWS

Charterhall rights issues continue with £18.7m call

By Ray Bashford

CHARTERHALL, the investment company headed by Australian businessman Mr Russell Goward, is making its third cash call in the past 12 months following a 46 per cent increase in pre-tax profits in the half year to December 31 1988.

Shareholders are being asked for £18.7m through a one-for-four rights issue at 20p a share compared with yesterday's closing price of 22¼p – down 2p.

Mr Goward said that the funds would be employed to continue the acquisition and investment programme which in the past year had led to the £27.2m acquisition of Corah, the textiles group, and substantially increased stakes in three other publicly-listed companies.

Westmex, the Australian company which has a 53.2 per cent interest in Charterhall and is also headed by Mr Goward, is taking up its full entitlement.

Pre-tax profits in the six months were £5.76m compared with £3.95m in the corresponding half. In line with the company's policy, shareholders are being offered an alternative between acceptance of a 1p a share dividend or a one-for-15 scrip issue.

Operating profits totalled £8.57m (£4.19m) of which £2m came from property disposal and £500,000 from an asset disposal in the US.

The footwear retailing operations, put together through the acquisition and *rationalisation* of Allebone at the end of 1987 and Lennards in August last year, are estimated to have contributed slightly below £5m to the pre-tax figure.

The move into footwear retailing has been the centre piece of Charterhall's transformation from a troubled oil and gas company during the past two and a half years.

The acquisition of Corah is seen as a beachhead in the textiles industry and as forming a second leg of operations in another sector seen by Charterhall as ripe for rational isation.

The directors have placed a value of £162.4m on group net assets at December 31 of which Tandem Shoes, comprising all the shoe retailing businesses, made up £85m and Corah £40m.

Mr Goward, who is also managing director, explained the increase in worth of Corah since the takeover as being due primarily to the increased efficiency that has been extracted as a result of the rationalisation programme.

Mr Goward again denied that he was a share trader. "I would like to own 100 per cent of all companies that I invest in if I could," he said.

This attitude has left several companies guessing about his intentions during the past 12 months. Charterhall's most prominent holdings are a 29.9 per cent stake in A Goldberg, the Glasgow-based retailer, 26 per cent of Bridport-Gundry, manufacturer of netting and woven products, and a 17 per cent interest in Hornby, the toy and leisure products group.

The *chairman* said that stakes were held in several other publicly-listed companies but were below the level for declaration and he declined to reveal their identities

Following the hostilities with the Bridport board at the annual meeting he said: "We are not supportive of the management. Whether we feel it serious enough to launch a hostile bid remains to be seen."

The two previous cash calls were a one-for-two issue last February and a one-for-five last September.

AIPF plans to lift Sutton Water stake via tender offer

By Andrew Hill

MR DUNCAN Saville, a Sydney-based businessman, is attempting to lift his stake in Sutton District Water Company from 12.5 per cent to 29.9 per cent through a tender offer.

Sutton, which is part of Thames Water Authority's region, advised shareholders to do nothing and is hoping to meet with Mr Saville next week.

Associated Insurance Pension Fund, a *vehicle* for Mr Saville's investments in statutory water companies, is aiming to buy up to £88,000 nominal of Sutton's 7 per cent and 4.9 per cent ordinary stock at £15.10 cash for every £1 nominal.

AIPF said yesterday that it was interested in a long-term strategic shareholding in Sutton and wanted to preserve the company's independence and integrity.

The statement also said benefits might be available to Sutton, which is based in Cheam, Surrey, through AIPF's strategic holding in other UK statutory water companies. AIPF also has a 28 per cent stake in Sutton's neighbour, East Surrey Water Company.

If the tender offer is successful, Mr Saville will be reinvesting about £1.33m released last week when AIPF sold part of its UK water portfolio to its joint venture partner Southern Water Authority. Should Mr Saville win more than 25 per cent of the votes he could influence the company by threatening to block its conversion to public limited company status following the flotation of the public water authorities in autumn.

Southern and AIPF mounted unsuccessful counter-bids for two water companies in the authority's region last month. AIPF still owns stakes in West Kent, Mid-Sussex, Eastbourne, Folkestone and Mid Kent water companies. Southern has influential 25 per cent stakes in the first four, which are owned by French water suppliers.

AIPF also holds 1.7 per cent of Sutton's non-voting 3.15 per cent preference stock. The tender offer closes on February *27*.

Tribune assets up

The net asset value of Tribune Investment Trust stood at 218.2p at December 31 1988 – an advance of 14 per cent.

Net revenue was £2.47m (£1.98m) A final dividend of 3.28p makes of 4p (3.6p).

Owners Abroad in optimistic mood as profits rise to £9.6m

By Clare Pearson

OWNERS ABROAD, tour operator and airline seat broker, lifted pre-tax profits from £3.46m to £9.64m in the year to the end of last October.

Yesterday's announcement followed recent news that leading tour operators were cutting capacity in response to a sharp downturn in bookings this year. But Owners Abroad stressed it welcomes such measures which should tend to protect industry profitability by preventing heavy price discounting.

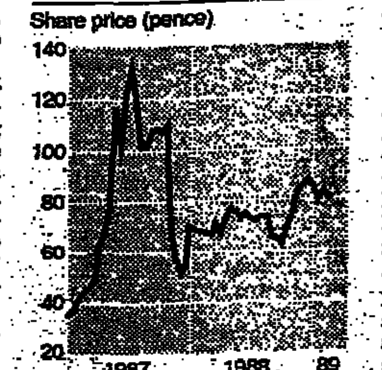
Although it was too early in the season to take a firm view, early indications for its own business were good. The company's own summer bookings were about 10 per cent ahead in the tour operating division, while Air 2000, the airline would this year increase its fleet from four to seven.

There is a final dividend of 1.75p, down from 2.1p last time but making an increased 2.35p (2.10p) for the year. Earnings per share came out at 7.70p (1.47p). There was a one-for-two rights issue last July.

Exceptional items in 1988 amounted to £1.36m (£3.7m). They included a £444,000 compensation payment to Mr Neil Scott who resigned as chairman last April, £432,000 worth of provisions for office refurbishments, and £923,000 (£1.67m) worth of aircraft introductory costs.

Owners Abroad

Share price (pence)



On turnover of £247.67m (£154.51m), operating profit was £12.11m (£7.18m). There was a £1.11m (£21,000) loss from associated companies, mainly arising from Tjaereborg UK, partly owned with a Danish company but transformed into a subsidiary during the year. Tjaereborg is expected to make a positive contribution by this year-end.

Airline 2000, the group's airline with about half of its business within the group, made a £5.85m (£3.35m) contribution to operating profits. There was no profits breakdown between other activities.

● COMMENT

Now that the British holiday industry appears to have put the era of cut-throat price wars *behind it*, nasty occurrences like rises in mortgage rates are not so frightening as they might seem for a company such as Owners Abroad. The seat wholesaling side can indeed benefit from operators adopting a more flexible approach to capacity. Although growth is not going to be so *dramatic*, followers are looking for another good year from the company with benefits coming *through from* the expansion of the airline fleet, the non-recurrence of exceptionals such as Tjaereborg losses and provisions for office refurbishment, and a full-year's help from the £12.68m rights issue. Pre-tax *profits of at least* £13.5m are in sight for 1989, putting the shares on a p/e multiple of about 8.5: apparently undemanding, although trading will probably be quiet pending more information about this year's *holiday* demand. Eagle Trust still has 15 per cent of the shares but speculative interest fizzled out last year.

SCMB reports marginal improvement to £18.2m

STANDARD CHARTERED Merchant Bank, wholly-owned subsidiary of *Standard Chartered*, announced pre-tax profits of £18.2m for 1988, marginally ahead of the previous year.

Sir Leslie Fletcher, chairman, said that as SCMB moved away from asset-based income, its success and profitability depended on a high level of international corporate and stock market activity.

Project Finance activity showed a dramatic increase in completions over previous years. Scimitar Development Capital Fund made a number of investments both in the UK and US, and has now invested about 50 per cent of its funds.

Futura predicts standstill

By David Waller

FUTURA HOLDINGS, the Manchester-based manufacturer and distributor of footwear, yesterday indicated in a *brief Stock Exchange* announcement that pre-tax profits for 1988 would amount to £450,000, exactly the same as the previous year.

No further financial details were forthcoming, although the company did add that the current order book is lower than it was at this time in 1988. Shares in Futura fell 2p to 123p, capitalising the company at £4.5m.

Last year, Futura was taken over by Mr Beverley Oates, a Mancunian businessman.

Ricardo defence criticised

First Technology yesterday sharply criticised the defence document issued on Wednesday by Ricardo Group, the engine and transmission designer which is resisting its £21m all-paper takeover bid. Although calling Ricardo's £1.1m interim pre-tax profits which accompanied the document a "remarkable achievement in this bid situation," First Technology noted that the results only represented a return to the half-way figures achieved three years ago.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alumasc, IFICO, Regentcrest.

Finals- European Assets Trust, Opfim.

FUTURE DATES

Interims-	
Consolidated Plantations	Mar. 3
Cornwell Parker	Mar. 6
Isotron	Feb. 21
Ramus	Feb. 23
Finals-	
Admiral Computing	Mar. 9
Fife Indmar	Mar. 2
General Accident	Mar. 1
Jacobs (John I)	Mar. 21
Lex Service	Mar. 7
Metal Bulletin	Mar. 1
Ransomes Sims & Jefferies	Mar. 6
Rolls Royce	Mar. 22
Royal Dutch Petroleum	Mar. 2
Serco	Feb. 27
Shell Transport & Trading	Mar. 2
Suter	Feb. 27
Trade Indemnity	Mar. 21
Victaulic	Mar. 8

1988 RESULTS

BP strength in a year of fluctuating oil price.

- Replacement cost* profits were up 10% in spite of the low oil price.
- Worldwide refining and marketing operating profit increased by over 60%.
- BP Chemicals achieved record profits up 126%.
- The acquisition of Britoil has substantially improved our North Sea prospects. BP Exploration is now both the largest oil producer and holder of crude oil reserves in the UK North Sea.
- Sixth successive year of dividend increase.

Financial highlights	**1988**	1987
Group profit		
– historical cost	**£1,210m**	£1,391m
– replacement cost	**£1,437m**	£1,308m
Earnings per share	**20.0p**	24.9p
Dividend per Ordinary Share for full year	**13.5p**	12.5p

Dividend growth 1983–1988 69%.

*Which excludes stockholding losses.

Crest Nicholson up 50% at £36m

By Andrew Taylor, Construction Correspondent

CREST NICHOLSON'S announcement yesterday of a 50 per cent increase in pre-tax profits continued the recent string of good results from residential and commercial property developers.

Pre-tax profits in the 12 months to October 31 rose from £24.01m to £36.05m on turnover 20 per cent ahead at £268.33m (£222.81m). Basic earnings per share increased to 27.9p (20.09p), and a final dividend of 4.65p makes a total of 7.15p (5.7p).

However, the company was at pains to stress its defensive qualities in a housing market which it admitted had become more difficult since October when its last financial year ended.

Mr David Donne, chairman, said non-housing activities contributed 30 per cent of total profits against less than 20 per cent last time. Commercial property profits rose from £3.11m to £7.68m.

He said the company was planning to increase the number of homes sold this year from about 1,400 to about 1,600, despite more difficult market conditions.

Net reservations between August and January had been several percentage points higher than during the corresponding period a year earlier in spite of a higher level of cancellations due to buyers being unable to sell their existing homes.

The company said smaller sites – the average Crest site contains less than 30 homes – had been less severely affected by higher mortgage rates than larger sites. Only three Crest sites had failed to meet sales targets during the last six months. These were all on developments of more than 200 homes.

TEN-YEAR RECORD

	Turnover £m	Pre-tax profit £m
1978	34.0	2.8
1979	42.1	4.3
1980	48.4	5.4
1981	54.1	6.3
1982	56.9	6.7
1983	72.3	7.0
1984	90.8	8.5
1985	110.0	9.2
1986	212.0	18.6
1987	222.8	24.0
1988	268.3	36.1

Crest said increased house sales to housing associations and building societies were unaffected by rising interest rates. The company planned to bring several new sites on stream this year which would also help to increase sales.

● **COMMENT**

Crest's low gearing (it had nil borrowings at the end of January) together with judicious management of a land bank providing up to eight years work if all its options are exercised should assist the company in the coming months. Commercial property profits may also achieve double figures this year with work under way on developments with an estimated value of £260m. Contracting order books and margins have also improved in line with the rest of the industry. Longer term the company can expect to benefit from the 600 acres of land it controls near Swindon where the Environment Secretary has approved in principle a 1,500 acre new town development. The combined strength of Crest's land bank and commercial property development programme more than justifies a prospective p/e of just under 7 – at the higher end of the current range for housebuilders.

Harding £2.57m buy

Harding Group yesterday announced the acquisition of Advance Electrical Distributors, an electrical products distributor, for £2.57m in cash and paper. This is the first acquisition by Harding, which makes floor joists and distributes electrical products, since it joined the USM in May last year.

AED is expected to complement Harding's distribution activities in the East Midlands, raising its number of branches by nine to 24. It made pre-tax profits of £385,682 in the year to March 31 on turnover of £7.4m.

Nesco buys 90% of IIDM

By Andrew Hill

NESCO INVESTMENTS has moved closer to its ambition of becoming an information technology group with the acquisition of 90 per cent of IIDM, a French computer software company.

IIDM runs a software system for motor dealers similar to the Dealerman system operated by DCS Group, a British company which Nesco bought for £4m last November.

Mr Robin Lodge, Nesco chairman, said the purchase of IIDM for a nominal sum would increase the Dealerman network from about 1,600 users in the UK to 2,000 users in Britain and France.

In November 1987, Mr Lodge, who has a background in computer software, and Mr Brooke Johns, his partner, injected £1.98m into Nesco, the principal assets of which were an electricity supply company in Nigeria and a garage in Leicestershire.

Mr Lodge said that Nesco, which has suffered from the devaluation of the Nigerian currency, was looking to expand its information technology interests in the financial sector, and the distribution and manufacturing management fields.

He added that the sale of the profitable Nigerian company was always a possibility, but the Midlands garage would probably be retained.

SHARE STAKES

The following changes in company share stakes were announced recently:

Atlas Converting Equipment – Mr CR Rogers, chairman, has reduced his shareholding to 2.26m (27.9 per cent) with the sale of 250,000 ordinary at 320p each.

Bassett Foods – Goldman Sachs Equity Securities (UK) has increased its holding to 650,000 (4.13 per cent) with the purchase of 200,000 ordinary.

Blue Arrow – Mr DE Atkins, a director, has bought 1,000 ordinary at 92p apiece.

Chemex International – Medirace has purchased 1.05m ordinary, giving it 14.7 per cent of the issued nominal capital and 11.76 per cent of the aggregate voting rights.

Derwent Valley Holdings – Topcastle Holdings has acquired 132,986 ordinary, bringing the holding of companies in the Topcastle Group to 650,806 (8.4 per cent).

Early's of Witney – South Yorkshire Pensions Authority is interested in 301,250 ordinary (about 5.15 per cent).

French Group – Scottish Amicable Investment Managers has sold its entire holding of 750,000 ordinary (7.99 per cent).

Fife Indmar – Overseas Corporate Funds UK has bought 20,000 ordinary, bringing its holding to 392,000 (5.65 per cent).

Fisher (Albert) Group – The following directors have reduced their beneficial holdings: RP Edwards to 319,723, with the sale of 250,000 ordinary; NDJ Freeman to 289,207 (59,293); DG Pearce to 1.16m (140,000); RG Portergill to 2.48m (252,342). The shares were sold for 98.5p each.

Foster (John) & Sons – General Investment Australia has lifted its stake to 1.91m (17.1 per cent).

Heywood Williams Group – As a result of the recent issue of additional ordinary, the interests of the Kuwait Investment Office has fallen below 5 per cent.

Macallan-Glenlivet – Highland Distilleries has lifted its holding to 761,752 shares (9.6 per cent) with the acquisition of 140,000.

Marinex Petroleum – Canada Northwest Energy has sold its holding of 25.11m ordinary (25.37 per cent).

Owen & Robinson – Mr FW Lawrence has reduced his holding to 168,054 shares (6 per cent) with the sale of 32,500.

Seafield – Mr Donal Kinsella, a director, has reduced his holding to 218,393 ordinary (1.72 per cent) by selling 500,000.

Stanco Exhibition Group – Mr PG and Mrs S Dunkley, holders of 2.72m and 730,777 ordinary respectively, have disposed of their entitlements under the rights issue – 1.36m and 365,388 shares respectively. Their notifiable percentage has fallen pre and post the quotation of new shares from 7.67 to 5.11 per cent.

IBC tucks another US publisher under its wing

By Clay Harris

INTERNATIONAL Business Communications (Holdings), the financial tipsheet publisher and conferences organiser, is to buy Political Risk Services, a US-based newsletter publisher.

The acquisition, for an undisclosed price from the US consulting and market research group Frost & Sullivan, is expected to be followed shortly by IBC's purchase of the larger FT International Reports, a US newsletter subsidiary of Pearson, the diversified group which owns the Financial Times. Pearson bought International Reports in 1982.

IBC first moved into the US in September 1987 when it bought Donoghue Money Fund Report, the leading publication monitoring the US money fund industry.

Political Risk Services, which publishes several reports a year on each of 85 countries, has about 350 subscribers, according to Mr Jonathan Bloch of IBC. On pre-tax profits of less than £1m, IBC is paying a prospective multiple of 5.7.

IBC plans an increased marketing effort and content changes in an effort to increase the company's pre-tax margin from 15 per cent to 30 per cent.

"We're going to change the emphasis from 70 per cent political to probably 50 per cent political and 50 per cent economic," Mr Bloch said.

Political Risk Services also holds two conferences each year, one in London and one in the US.

Frost & Sullivan has been a private company since January 1988, when it was taken over by a group owned by Mr Theodore Cross, a financial publisher, and affiliates of E.M. Warburg Pincus, the US investment bank.

● *Mr Sylvester Stein* resigned yesterday as a non-executive director of IBC and his entire holding of 341,170 shares was placed at 138p. Mr Stein joined the group when it acquired his company, Stonehart Publications, in 1986.

Sharp & Law makes first European acquisition

By Andrew Hill

SHARP & LAW, the USM-quoted shopfitting group, has made its first acquisition in continental Europe, buying Giblin Lavault, a French shopfitter and kitchen manufacturer, for FFr12.5m (£1.13m) in cash.

Mr Brian Considine, chairman of Sharp, said he hoped his group could distribute its own shopfitting systems in continental Europe, using Giblin as a base.

In particular, he wants to open up a market for Sharp systems designed for do-it-yourself products and clothing, building on Giblin's strength in food display units.

Sharp was also considering further expansion in Europe, through acquisition, organic growth or joint ventures in Belgium, the Netherlands or Luxembourg.

About 25 per cent of Giblin's manufacturing output consists of metal shelving and display systems, sold to clients including Esso and the French supermarket chains, Carrefour and Mammouth. Multiflex, a subsidiary of Sharp, already buys equipment from Giblin, for use in the design and installation of food halls.

The senior management of Giblin, which is based in Migennes, 80 miles south of Paris, has left as part of a programme of restructuring and redundancies at the French group. In all, 38 jobs will be lost, although Sharp will bear none of the redundancy costs.

The UK group is to pay an initial FFr5.5m for Giblin with the balance of FFr7m paid in 15 monthly instalments beginning at the end of April. The French group is expected to achieve sales of FFr100m in 1989, and has fixed assets of FFr11m, including a 200,000 sq ft factory.

River and Mercantile net assets expansion

RIVER AND Mercantile Trust, a split-level investment trust, reported net assets of 49.43p per income share and 150.98p per capital share at December 31 1988.

The values compared with respective figures of 44.6p and 144.2p prevailing a year earlier.

Gross income for the year to end-December amounted to £8.28m (£7.25m) including franked dividend income of £6.97m (£5.53m). Net revenue expanded 16 per cent to £5.28m (£4.55m), and earnings per income share worked through at 6.75p (5.63p).

Directors said that strong corporate earnings and dividend growth enabled a proposed final dividend of 2.35p, making 6.65p (5.57p) for the year.

However, expectations for dividend increases in 1989 were somewhat lower, they said, although barring unforeseen circumstances, they expect to recommend a total dividend of 7.05p for the year.

Expamet in $3.1m US expansion

Expamet International, the building products and security group, yesterday said that its US subsidiary had acquired Oil Air, a hydraulic bladder accumulator manufacturer, for $3.1m (£1.75m).

In the year to January 31 1988, Oil Air's profits before interest and tax are projected at $60,000 on turnover of $2.8m. Expamet is paying $1.8m on completion and the balance after an audit.

Ladbroke

Ladbroke Group has declared its £186m offer for Thomson T-Line unconditional after having received acceptances for 80.9 per cent. Mr Cyril Stein, chairman and managing director, said the 90p per share offer had allowed Ladbroke to acquire Vernons football pools, "at a realistic price."

T&N South Africa margins suffer

Turner & Newall Holdings, 51 per cent-owned South African subsidiary of T&N, increased 1988 turnover from R145.6m to R234.7m. Pre-tax profits, however, improved by only R300,000 to R20.5m (£4.78m).

Asseng, another South African subsidiary of T&N, increased turnover by R27.1m to R105.7m and profits before tax by R5.6m to R10.5m.

As already announced, T&N is to sell its 76 per cent stake in Asseng to Turner & Newall Holdings.

TVS stake transferred

By Andrew Hill

THE ownership of a 12.44 per cent stake in TVS Entertainment, the independent television contractor, has been transferred from Générale d'Images, the French television production company, to its parent, Compagnie Générale des Eaux, the water supplier and service group.

Générale d'Images and Canal Plus, the pay-television channel, which is 22 per cent-owned by Générale des Eaux, backed TVS's $320m takeover of MTM Entertainment, a US independent production company, last August.

Each picked up 10 per cent of the TV company's fully-diluted share capital at 340p per share.

British law prevents any single foreign investor from owning more than 10 per cent of a regional TV company.

Générale des Eaux paid 340p per share for its subsidiary's stake, which is worth about £25m.

In addition, it bought £3.95m of subordinated convertible unsecured loan stock, which was also part of last year's MTM deal.

Ex-MSC chief uneasy on Highams share sale

MR NICHOLAS BERRY, former chairman of Manchester Ship Canal Company, has told a public inquiry of his unease over certain aspects of the takeover of the group in 1986.

Mr Berry was chairman in the final stages of MSC's battle against takeover by Highams, a company owned by the property developer Mr John Whittaker, who now holds 57 per cent of MSC shares. He made particular reference to a disposal of shares ordered by the Takeover Panel and the "unbundling" methods used by *Highams*.

During the bid, the panel ordered Highams to sell some 225,000 MSC preference shares to bring its holding below 30 per cent. They were placed with two institutional investors on July 31 1986.

Within a *matter of days*, Highams' offer had been published and the two investors had accepted. Mr Berry said he found it "incomprehensible" that the institutions had accepted *the offer*.

"The decision could not have been based on commercial considerations," he told the inquiry, which has been convened in Manchester by the Department of Transport to consider Mr Whittaker's proposals to change MSC's board structure and increase the group's borrowing powers.

Mr Berry then criticised the "unbundling" operation undertaken by Highams, alleging that the company had employed teams of canvassers *to stand outside labour* exchanges in Manchester, signing up nominees and paying them £1 each.

MSC's voting structure favours small shareholders. "Unbundling" a 1,000-share block into 10 100-share parcels, *for example, would increase* the number of votes attached to the total from 28 to 100.

Following complaints to the Department of Trade and Industry by the then-board of *MSC, Mr Berry told the inquiry* that the company's solicitors had been informed by the DTI that Highams had admitted breaches of the Prevention of Fraud (Investments) Act 1958 in relation to the distribution of nominee forms without an authorised dealer in securities.

However, the inquiry was also told of assurances given by Highams to the DTI that the "unbundling" documents had only been handed over after oral consent from prospective nominees to act as nominees.

Earlier, the role of the panel in allowing the bid to proceed three months after an undertaking that none was planned in the "foreseeable future" led to clashes between Mr Charles Sparrow, QC, for the objectors, and Mr Deakin.

Mr Sparrow's contention that an undertaking given on February 4 1986 by Highams had been broken was strongly disputed by Mr Deakin, who said that the precedent set at *the time in the Argyll/Distill*ers case suggested that the "foreseeable future" was roughly three months.

UK COMPANY NEWS

Growth slows as competition from Mercury and economy bite

BT up to £623m in third quarter

By Hugo Dixon

BRITISH TELECOM'S pre-tax profits reached £623m in the three months to the end of December 1988, a 7 per cent increase on the £582m of the comparable period in 1987.

The results, reported yesterday, represent a slight slowing down for the company, which has been showing growth of about 10 per cent on a year-on-year basis in recent quarters.

Competition from Mercury Communications, BT's only mainstream rival, and a marginally less buoyant economy were mentioned as possible explanations for the slowdown. However, BT said that last year's stockmarket crash and hurricane could also have distorted the figures, and it would be wrong to read too much into a single quarter.

Turnover in the period increased almost 8 per cent to £2.79bn (£2.59bn). This was mainly on the back of continued growth in both international and inland traffic. More customers were also added to the company's network, bringing the total number of lines to 23.7m.

Revenues from "other sales and services" — principally private circuits and mobile telecommunications — were £600m (£561m). BT refused to give figures for Cellnet, its majority-owned cellular subsidiary, and would only say that profits were growing rapidly.

Operating costs in the quarter increased 7.6 per cent to £2.09bn, as staff numbers grew by 1,200. However, Mr Graeme Odgers, BT's managing director, said that staff numbers would be static in the foreseeable future, following a period in which they have grown in order to improve the company's quality of service.

Mr Odgers added that quality of service would continue to improve as a result of productivity improvements.

BT's drive to modernise its network led to a 32 per cent increase in capital expenditure for the quarter to £775m (£587m). About 4.5m of BT's telephone lines have so far been digitalised, and a further 4m will be digitalised each year until the mid-1990s.

The quarter's results were achieved during a period when most of BT's prices were frozen. Mr Odgers said the company was considering what changes should be made to prices, when the freeze comes to an end in August, but that no final decisions had been made.

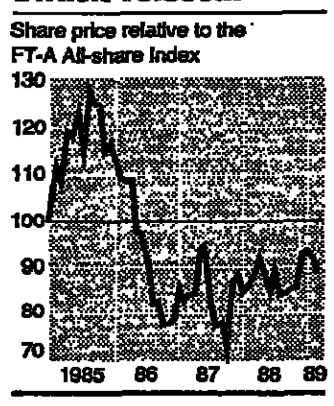
However, he did say that in due course it would be fairer to charge for calls to directory inquiries — which cost BT £160m a year, but are now provided free.

Profit after tax increased to £402m (£371m) and earnings per share were up almost 10 per cent at 6.8p (6p).

See Lex

British Telecom

Share price relative to the FT-A All-share Index



Bid approach for Jacksons

By David Waller

JACKSONS BOURNE End, a Buckinghamshire-based property developer and shoe components manufacturer controlled by Mr James Gulliver and associates, has received an approach which could lead to a bid.

Jacksons' shares jumped from 117p to 153p on the news, capitalising the company at £11.9m. No-one at the company or at Mr Gulliver's offices was available for further comment yesterday.

Mr Gulliver, who has a personal 10 per cent stake in the company, and his business associates took control of Jacksons in January last year by purchasing a 60 per cent stake from Bugge Eindoms, a Norwegian property developer.

Select Country Hotels, a private company controlled by Mr Gulliver, subsequently took a further 14 per cent. The price paid on both occasions was the equivalent of 111p per share.

Mr Gulliver intends to turn the company into a broadly based leisure company, but so far no move has been made in that direction.

Last September, the company announced interim pre-tax profits down from £301,000 to £153,000. Asset backing then stood at a conservative 112p per share.

Miss World's plan for Piccadilly

THE BATTLE for control of Piccadilly Radio, the Manchester-based radio station, continued yesterday with arguments centring on Miss World's plans to create a radio equivalent of the Granada TV region in the north west, writes Philip Coggan.

Miss World, which owns the Red Rose radio stations as well as the beauty contest, has made a £35m bid for Piccadilly. It wants to link Red Rose's Preston station, with Piccadilly and the Liverpool-based Radio City in a regional sales and marketing initiative.

However, MSB, a media sales group, yesterday cast doubts on the plan. Analysis over the last two years reveals that non-regionalised selling had outperformed combined regional marketing. "Clearly," it said, "any move to incorporate Piccadilly into a regional north west market will not enhance national revenue for the region but simply redistribute Piccadilly's income."

For Miss World, Mr Michael Connolly, finance director, pointed out that Sound Advertising Sales, the MSB subsidiary which sells radio airtime, was 26 per cent owned by Piccadilly. Piccadilly was also a major customer of SAS.

Piccadilly shareholders meet on Monday to vote on a merger with Midlands Radio.

Miss World has made its bid dependent on it being rejected.

Viking accepts revised Aviva offer of £23.2m

Viking Resources Trust, the Ivory & Sime-managed investment trust, has accepted a revised takeover offer from Aviva Petroleum, the oil and gas investment company, writes Ray Bashford.

Approval was won after the offer price was increased from 55p to 58p, compared with a closing price of 59p. The new offer values Viking at £23.2m.

Aviva owns 15.2 per cent of Viking and has an option over a further 19.2 per cent.

Earlier this month Viking firmly rejected the first offer, but Mr William Menzies-Wilson, chairman, said yesterday that the revised bid was a "more realistic valuation".

Confrontation expected at March board meeting

By John Griffiths

A CONFRONTATION is today expected at March, the loss-making racing car group, following a meeting between Mr Akira Akagi and the rest of the board, led by Mr John Cowen.

It is expected to climax a week in which expectations that March — traded on the USM for the last two years — was about to make an orderly return into private hands, have been rudely shattered.

March shares remained suspended last night. Trading was first halted, at 50p, on Monday.

At that time, the market expected the move simply to herald a takeover, previously agreed in January, from Mr Akagi's Leyton House industrial property group, which already owns a 20 per cent stake. Leyton House is principle sponsor to the March grand prix racing team.

On Wednesday, however, March announced that Mr Akagi had withdrawn his 50p per share cash offer for the remaining 38.5 per cent of March not in the control of founder Mr Robin Herd.

At today's meeting, Mr Akagi is expected to claim that he withdrew his offer because he was not informed of certain transactions which would have affected his own decision to proceed with the offer.

Last night, however, Mr Akagi's representatives disclosed that his offer had been withdrawn last Friday, immediately after Mr Akagi claimed to have become aware of "new information" about March's affairs.

According to the representatives, a formal announcement that the deal was off was postponed following discussions with Barclays de Zoete Wedd, then brokers to March.

The representatives said that Mr Akagi had subsequently received notice that BZW had resigned as March's brokers on Monday night, a few hours after trading was suspended.

Mr Cowen, who is also chairman of United Industries, and other members of the March board will today be asked by Mr Akagi to discuss the immediate financial needs of March and its current financial situation.

While this indicates that Mr Akagi may be reconsidering his decision to withdraw from a takeover, he may not get the option.

On Wednesday, the rest of the board indicated that talks with banks and other financial institutions had raised hopes that they might be able to re-finance March without losing its independence.

Erskine to raise $35m via issue to Pru of US

By Andrew Hill

ERSKINE HOUSE Group, the acquisitive distributor of facsimile and photocopying machines, is to raise $35m (£19.85m) through an issue of long-term debt to Prudential Insurance Company of the US.

The UK company has been expanding rapidly in the US and the move is aimed at reducing short-term dollar borrowings and funding further acquisitions.

Prudential is to subscribe for $35m of guaranteed senior notes in Erskine Holdings, the UK group's holding company in the US. The notes will have a 10-year average life and carry a fixed gross coupon of 10.7 per cent.

Attached warrants will give Prudential rights over 2m ordinary shares in Erskine House — about 4 per cent of the company's enlarged equity — at 300p a share, compared with yesterday's closing price of 226p, up 5p.

Mr Brian McGillivray, Erskine's chairman, said yesterday: "We wanted to get a significant US institution involved. The Prudential was prepared to take a moderately optimistic view of the share price and provide long-term money. It's a very useful slug of cash to have available for the next 10 years."

In the last two years, Erskine has invested over $89m in the US, buying 12 office equipment businesses. At the same time it has pursued an aggressive acquisition policy in the UK, and has recently expanded into West Germany.

The private placement was arranged by Wertheim Schroder & Company, the US investment banking arm of Schroders.

Jos assets rise

Jos Holdings, an investment trust, reported a net asset value of 168.3p per share at end-January, up from 146.9p a year earlier.

The interim dividend is 1p (0.84p adjusted for the scrip issue in August 1988).

Minorco balked by time limits over any new Gold Fields bid

By Kenneth Gooding, Mining Correspondent

MINORCO, the South African-controlled investment group, will almost certainly have to ask the Takeover Panel for more time to make up its mind whether to bid again for Consolidated Gold Fields, the UK diversified mining group.

Under the terms of the Takeover Code, Minorco normally would have to make another offer by next Thursday or wait until September — the first anniversary of its previous £2.9bn hostile bid for Gold Fields.

The major stumbling block for Minorco is the injunction imposed by a New York court in October which prevents it taking its holding in Gold Fields above the current 30 per cent.

Minorco is waiting to hear the outcome of its appeal in the US. If the injunction remains in place, Minorco could bid again but would not be able to declare any offer for Gold Fields unconditional.

The New York appeal court judge is fully aware of the time-limit Minorco faces in the UK but so far has given no indication that he will take this into account or even when he will give his judgment.

Minorco has substantial assets in the US which might be sequestered if it defied the court ruling.

Both sides have talked to the Takeover Panel recently — Minorco on Wednesday and Gold Fields yesterday — but it is understood that so far Minorco has not asked for an extension to the time allowed.

Gold Fields said it would agree to an extension but would urge that, in return, the Panel should press Minorco to make a clear statement about its intention to bid again.

Minorco is also awaiting the outcome of the European Commission's informal inquiry into Gold Fields' complaints that a merger of the two groups would result in a monopoly in platinum production.

A commission official said yesterday that the decision would be announced "in the next few days, certainly by Thursday next week".

The commission's decision is not expected to prevent Minorco bidding again for Gold Fields as it will either suggest that the complaint has no validity or that it needs further, more formal, investigation.

Until the commission and the US court results are known, Minorco sees little point in calling the board meeting at which it will decide whether to bid again.

Herrburger Brooks

Herrburger Brooks, a manufacturer of piano actions, keys and hammers, reported pre-tax profits up from £5,119 to £11,720 in the half-year to November 30.

Turnover declined slighty to £3.47m (£3.52m). Earnings per share worked through at 0.58p against 0.25p last time.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bank Leumi (UK) .....fin	9.4‡‡	-	8.5	13.5	12.4
BP .....fin	8.5‡‡	May 25	8	13.5	12.5
Charterhall .....int	1‡	Apr 22	-	-	1‡
Crest Nicholson .....fin	4.65	Apr 14	3.7	7.15	5.7
Owners Abroad .....fin	1.75†	May 2	2.1	2.35	2.1
Photo-me Intl .....int	1.2	Apr 7	0.6	-	3
River Merc Gear .....int	1.2☆	Mar 3	1.1	-	5.5
River & Merc Tst.....fin	2.35	Apr 7	1.77	6.55	5.67
Tribune Inv Tst .....fin	3.28	-	2.95	4	3.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Third interim. ‡Cash option in lieu of scrip. ‡‡Carries scrip alternative.

COMMODITIES AND AGRICULTURE

Exxon chairman bullish on oil for early 1990s

By Steven Butler

MR LARRY RAWL, chairman of Exxon, the US-based international oil group, yesterday took a relatively bullish view on the outlook for oil prices, in which he expected substantial price rises early in the next decade.

Mr Rawl, speaking at an Institute of Petroleum luncheon in London, said he expected that oil prices would remain weak and volatile in the next few years, but that by 1992 or 1993, the Organisation of Petroleum Exporting Countries would regain control over *world oil markets and push* prices higher.

Mr Rawl's view contrasts sharply with those recently expressed by senior executives of the Royal Dutch/Shell group, which tend to be more bearish.

Mr John Jennings, group managing director, has said that oil prices were unlikely to rise in nominal terms until after 1995. Shell and Exxon are the world's two largest private sector oil companies.

The differing views apparently stem from varying expectations on the ability of non-Opec producers to make up for expected declines in US production that are leading to a rapid increase in US oil imports.

Mr Rawl said that many projections for non-Opec production were excessively optimistic because in the weak oil price environment of recent years, fields had not been maintained properly.

This meant that should oil prices continue to be weak, much of this production would not be realised. He said there was no question of any shortage of supply.

Mr Rawl denied that the US$4.15bn acquisition of the Canadian assets of Texaco by Imperial Oil, an Exxon subsidiary, represented any change in Exxon's attitude toward acquisitions. He said that between 1986 and 1988 Exxon had spent $4bn in a series of relatively small acquisitions that had brought a 1bn barrels of oil to the company.

He said Exxon had carefully studied all assets that had come up for sale and had put in unsuccessful bids in a number of cases.

"We have a strong balance sheet," he said. "It is just a question of price."

Commission intends to tackle agricultural fraud

By Tim Dickson in Brussels

A FURTHER sign that the problem of agricultural subsidy fraud is at last being taken seriously by the European Community emerged in Brussels yesterday with the publication of what could at least be described as a firm statement of intent from the European Commission.

While giving little detail of what it has in mind, the Commission said it "intends to pursue" the fight against fraud and to "step up its efforts" in this area with the active help of other EC institutions and the member states.

Mr Jacques Delors, the Commission President, and Mr Ray MacSharry, the new Agriculture Commissioner, had already shown their commitment to action, while recent reports from the EC's Court of Auditors highlighting waste in the storage of food surpluses and widespread abuse of beef export payments were being analysed with a view to recommendations being made.

The Commission's latest *response – coming after last* week's stirring of interest in the EC Council of Farm Ministers – could be significant, given its previously somewhat defensive reaction to the criticisms of the court. While again stressing the primary responsibility of member states for curtailing irregularities, the Commission yesterday stressed the important role it can play in "encouragement, co-ordination and control." Brussels "intends to pursue this role with all the means and force at its disposal."

The Court of Auditors deserves much of the credit for highlighting the apparently growing scandal of Common Agricultural Policy fraud. Its two reports in October and December not only inspired plenty of good knockabout copy (chicken scraps being passed off as beef, for example) but carefully documented a large number of cases which, put together, could not be ignored.

Though an official admitted that the scale of the problem "is probably much greater," he said that the only figures which could be reliably quoted were those provided for the Commission by member states. *On average over the last eight* years the amount of detected and reported fraud was equivalent to 0.18 per cent of the EC's agricultural budget – roughly Ecu 27bn (£17.25bn) this year.

Denmark in campaign to control salmonella

By Hilary Barnes in Copenhagen

DENMARK'S VETERINARY Directorate and the country's poultry industry are co-operating in a campaign to control the spread of salmonella bacteria.

The campaign has followed an increased incidence of human salmonella poisoning, with the number of cases reported by GPs rising from about 1,000 a year in 1984 to about 3,000 last year.

Ms Mette Warming, a veterinary inspector, said the situation was not alarming and neither was there a simple explanation for the increase. But as the main sources of the infection are eggs and poultry meat, every effort is being made to limit the spread of salmonella from those sources.

However, screening of poultry has so far failed to reveal any signs of salmonella sickness in the birds themselves, she said.

Suppliers of chicken feed are now using heating and cooling procedures in the preparation of feed pellets, in order to ensure that the bacteria are not introduced with feed. Otherwise the directorate's main effort is going into a campaign to emphasise the need for good hygiene at every step from the preparation of feed to the care of poultry, slaughtering, and the preparation of food in the home, said Ms Warming.

Denmark used to be a major egg exporter, but overseas sales last year were worth only about DKr16m (£1.25m) out of total egg production worth about DKr550m.

Jamaica to resume banana shipments

By Canute James

SHIPMENTS OF Jamaican bananas to Britain, which were interrupted when the island was hit by a hurricane in September last year, are to be resumed at the end of next month, according to the island's Banana Export Company.

The company said small initial shipments will be followed by regular exports, reaching 2,000 tonnes of fruit per week by July, with total exports for this year projected to reach between 40,000 tonnes and 45,000 tonnes.

The industry had been hoping to ship about 50,000 tonnes *to Britain last year, after* exports of 34,000 tonnes in 1987. But the storm destroyed all the island's banana plantations, limiting last year's exports to 28,500 tonnes.

Ex-King Sugar causes Caribbean dilemma

Canute James studies the decline of a once-great export industry

THERE WAS a time when King Sugar ruled the economies of the Caribbean. That it no longer does has left many countries in the region with a dilemma. With shrinking guaranteed markets, such as in the US, and with production costs running higher than world market prices, sugar has become uneconomical in many parts of the region – but it still provides vital hard currency earnings and much needed employment.

Efforts at diversification have had moderate results so far. In the Dominican Republic, the region's major producer after Cuba, the State Sugar Council, faced with bankruptcy, has been selling former cane fields to investors who are developing industrial parks and tourism resorts. Production has fallen by about 40 per cent over the past eight years.

Similar changes are under way in Trinidad and Tobago and Guyana where other forms of agriculture are being encouraged, and in Jamaica which is attempting to use a part of the sugar sector to provide feedstock for a fledgling ethanol industry.

The guaranteed markets which some producers have in the US and the European Community provide hard currency to shore up limited foreign earnings. This is one reason why many governments are persevering with an industry which, on purely economic grounds, is not viable. Another is the fact that, in a region where unemployment averages over 20 per cent, labour intensive sugar absorbs hundreds of thousands who could not be employed in the ventures which can replace sugar production.

Mechanisation is discouraged to maintain high employment rate

This is contributing to the poor economic condition of the industry. To maintain a high rate of employment, governments have stood firmly against widespread mechanisation which would improve the viability of the industry.

Not surprisingly, there are frequent questions about the wisdom of staying with the industry in the hope of higher world market prices and continuing protected markets. In a current battle of words in Jamaica the first salvo was fired from outside the industry.

"In the sugar industry, which provides 80,000 persons with direct and indirect employment, we have a crop which occupies the most efficient and fertile agricultural land in Jamaica," said Mr Dennis Lalor, chief executive of the ICWI Group, a financial services conglomerate.

"Our sugar production goes to a market dependent on political considerations. It goes to the European market based on an agreement, while European production of beet sugar is far in excess of demand. So in reality, the Europeans are doing Jamaica a favour. Strategically that is a very invidious position to be in."

Admitting that it would be difficult for Jamaica to get out of sugar overnight, Mr Lalor argued in favour of diversification to other forms of agriculture "which, while fulfilling some of our domestic needs, would be in demand in the United States, Europe and other world markets."

The industry has responded predictably with a stout defence. Mr Christopher Bovell, chairman of the Sugar Manufacturing Corporation of Jamaica, said the industry had slipped from producing 508,348 tonnes in 1965 to a low of 187,964 in 1987. He argued, however, for continued support for the industry on the basis that it is the largest earner of foreign exchange in the agricultural sector and the third largest in the total economy, behind tourism and bauxite.

"In 1987, the foreign exchange earned from sugar was approximately US$70m, and the revenue from local sales approximately J$128m (US$23.25m)," Mr Bovell said. "Not only does sugar contribute significantly to the national purse, but it is next to the civil service, the largest employer of labour in this country."

Arguing that most trade in commodities is based on agreements, Mr Bovell suggested there were few other agricultural ventures which could provide the foreign earnings that the sugar industry was getting. Although in global terms Jamaica's production is small, there is room for increased production in the island, Mr Bovell said.

But there is no apparent economic basis for producing more. While meeting its guaranteed shipments to the EC and its dwindling access to the US market, the Jamaican industry in recent years has had to import sugar to meet domestic demand. Mr Frank Downie, chairman of the Sugar Industry Authority, said the current harvest was expected to yield 221,000 tonnes. The island ships an average of 130,000 tonnes to the EC, and can this year sell 12,500 tonnes to the US. Industry officials say local demand averages 100,000 tonnes per year.

"Jamaica will be able to produce more sugar when we have reduced the cost of production of what we sell on the world market," said Mr Downie. "The world market price is 10 to 11 US cents per lb. The production cost in Jamaica is 19.5 cents per lb. We should be aiming at a production cost of between 12 cents and 15 cents per pound, and if we achieve this we could produce more."

The basis for this hope of reducing production costs is what Mr Downie said was an improvement in the industry's finances over the past five years, helped by the prices paid by the EC. The island's mills are being upgraded with a loan of $18m obtained by the Government. "The industry has not been incurring a loss," Mr Downie said.

Because of the foreign earnings from sugar and the number of people it employs, the Government has supported the industry – and that support is likely to continue.

Before his general election victory last week Mr Michael Manley, now Prime Minister, said: "I know that there have been times when the industry has suffered from extreme loss of confidence. There have been times when there was great *doubts* about whether the industry should be pursued and developed. It is time that these be laid to rest once and for all. We should proceed as quickly as possible to get the industry to the required minimum level of production."

Sharp price rise catches tin consumers off guard

By Kenneth Gooding, Mining Correspondent

TIN CONSUMERS have been caught off guard by the sharp rise in the metal's price in recent days. Tin for immediate delivery was traded at nearly $8,000 a tonne on the European free market yesterday, $75 a tonne above the price on Wednesday afternoon and the highest level since March 1986.

Some traders predicted the price was on its way to $8,500 a tonne.

However, Paranapanema of Brazil, the world's largest tin producer which accounts for about 13 per cent of world tin production, said recently it would counter any sharp price rise by selling metal from its stocks. It said it would prefer reasonably stable world prices.

Traders said there had been *a tightening of tin supplies* which reflected a steady fall in world stocks since the Association of Tin Producing Countries (ATPC) implemented a supply rationalisation plan in March 1987.

But Brazil is not a member of the ATPC so Paranapanema *is not bound by this constraint* on output.

According to the Commodities Research Unit, the London-based consultancy, Brazil's average tin production cost is about £3,000 a tonne compared with the sterling price of just over £4,505 quoted for spot metal on the European free market yesterday, up from £4,465 on Wednesday.

Traders said another factor fuelling the price was that sales of tin from stocks taken over by the banks after the collapse of the International Tin Council into insolvency in 1985 are dwindling.

They said consumers were *reluctant to buy at current* prices but some steel mills had no choice as they were operating with very low stocks in the expectation that tin would remain plentiful and cheap.

Brazilian sugar sales announced

By John Barham in Sao Paulo

BRAZIL'S SUGAR and Alcohol Institute has announced its first major export contract of the year. Mr Araripe Serpa, the institute's president, said this week that Portugal, Bulgaria and Czechoslovakia have each bought 100,000 tonnes of Brazilian sugar. The consignments are to be delivered by May.

Mr Serpa said Brazil's exports were likely to fall sharply this year. He said that two years of very dry weather had reduced harvests in the north-east, the only region to produce sugar for export.

The institute, which handles all Brazil's sugar exports, usually ships about 1.5m tonnes a year. No official forecasts will be available for this year's exports until the north-eastern harvest is over.

Mr Serpa added that Brazil would honour fully all existing export contracts. It also intended to take up its entire US import quota.

Japan studies plan for metals futures markets

THE JAPANESE Ministry of International Trade and Industry (MITI) has commissioned a feasibility study into the possibility of establishing non-ferrous metals futures markets in Japan, reports Reuter from Tokyo.

A MITI official said the ministry had asked the Commodities Research Unit, a private British research company, to undertake the study. Its report is expected to be submitted in April, he said.

The study will include a survey of whether overseas traders would be interested in using such exchanges in Japan, he added. Other details are unknown.

The only metal futures now traded in Japan are gold, silver and platinum.

In Peking, meanwhile, the People's Daily said the Chinese Government had decided to set up futures markets in at least four areas in an attempt to end wide fluctuations in agricultural production.

The newspaper said the markets, to be set up in Jilin, Sichuan and Henan provinces and the central city of Wuhan, would trade in maize, wheat, cotton, silk, ramie (a coarse textile fibre), rabbit wool and live pigs, as well as steel materials.

By giving farmers a known price for their crops, the markets should help stabilise output and reduce the rising subsidies the Government has to pay because of the fluctuations, the paper said. It gave no more details.

● Investment in the Chinese gold industry this year will be unaffected by an austerity programme, according to Xu Daquan, director of the State Administration of Gold Control. It will increase by 10 per cent over the 1988 level and be subject to preferential policies, he was quoted as saying in the Peking Evening News.

WORLD COMMODITIES PRICES

LONDON MARKETS

RUMOURS THAT Zaire might soon have to declare force majeure on copper shipments boosted values of the metal on the London Metal Exchange yesterday afternoon. The cash grade A price closed £32 higher at £1,666 a tonne, but that was still £76.50 below the level at the end of last week. Meanwhile zinc bounced *back following Wednesday's setback.* The cash high grade price rose $31 to close at a fresh record of $1,965 a tonne as labour problems in Peru and Finland strengthened sentiment against a continuing tight supply background. Lead lost further ground as the market's tone continued to be affected by the effects of the mild northern hemisphere winter on car battery demand. Cocoa futures saw six-week highs around midday but then fell sharply as producers were tempted into the market.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.05-4.20q	+0.16
Brent Blend	$16.50-6.60z	+0.25
W.T.I. (1 pm est)	$18.30-8.35z	+0.38
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$179-182	+1
Gas Oil	$139-141	+4½
Heavy Fuel Oil	$71-73	+2½
Naphtha	$160-163	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$382.25	+0.25
Silver (per troy oz)♣	*588c*	*+7*
Platinum (per troy oz)	$538.0	+10.5
Palladium (per troy oz)	$140.25	+0.75
Aluminium (free market)	$2125	
Copper (US Producer)	131⅝-138c	-5⅜
Lead (US Producer)	38.5c	
Nickel (free market)	820c	-5
Tin (European free market)	£4505	+40
Tin (Kuala Lumpur market)	*21.44r*	*+0.12*
Tin (New York)	364.5c	+0.5
Zinc (US Prime Western)	89⅝c	+⅜
Cattle (live weight)†	108.28p	-0.15*
Sheep (dead weight)†	137.05p	+4.83*
Pigs (live weight)†	80.38p	-1.21*
London daily sugar (raw)	$263.4u	+1.4
London daily sugar (white)	$291.5u	+3.3
Tate and Lyle export price	£258.5	+1.5
Barley (English feed)	£114.0z	-0.5
Maize (US No. 3 yellow)	£132.5	+0.5
Wheat (US Dark Northern)	£122v	-2
Rubber (spot)♥	59.75p	+0.25
Rubber (Mar)♥	69.00p	+0.25
Rubber (Apr)♥	69.50p	+0.25
Rubber (KL RSS No 1 Mar)	311.0m	+0.5
Coconut oil (Philippines)§	$530x	
Palm Oil (Malaysian)§	$392.5z	
Copra (Philippines)§	$380	
Soyabeans (US)	$195x	+2
Cotton "A" index	61.95c	-0.05
Wooltops (64s Super)	650p	-23

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Apr. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	853	879	883 852
May	873	900	903 871
Jul	870	898	900 869
Sep	863	893	895 860
Dec	881	905	910 880
Mar	873	899	901 870
May	875	905	899 890

Turnover:7692 (16143) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 15: 1162.52 (1152.03):10 day average for Feb 16: 1128.66 (1121.12) .

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1114	1105	1136 1110
May	1076	1077	1107 1075
Jly	*1060*	1062	*1085 1060*
Sep	1055	1045	1069 1050
Nov	1049	1055	1082 1050
Jan	1052	1055	1061 1060
Mar	1055	1055	1060

Turnover:4284 (4403) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 15: Comp. daily 118.13 (114.78): . 15 day *average 120.63 (121.04).*

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	241.60	230.60	243.00 232.00
May	248.00	240.00	249.60 241.20
Aug	248.80	240.60	250.00 242.00
Oct	*246.60*	*236.40*	*248.40 237.60*
Dec	246.00	233.00	235.00
White	**Close**	**Previous**	**High/Low**
May	294.50	284.00	295.00 286.00
Aug	297.00	286.50	295.50 287.50
Oct	288.00	278.00	281.50
Dec	281.00	274.00	
Mar	279.00	270.00	280.00 273.00

Turnover: Raw 7650 (8883)lots of 50 tonnes. White 1002 (1677).
Paris- White (FFr per tonne): May 1840, Aug 1850, Oct 1790, Dec 1770, *Mar 1750,* May 1740.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2000	143	189	3	47
2100	63	111	23	66
2200	18	68	76	141
Copper (Grade A)	**Calls**		**Puts**	
2600	345	263	2	87
2800	168	150	24	160
3000	54	76	108	272

FRUIT AND VEGETABLES
Early forced rhubarb is in peak supply 30-50p a lb (35-50p) and nectarines from *Chile and Cape are also more plentiful* 20-30p each (25-35p), reports FFVIB. Other fruit prices remain stable with oranges 8-25p, grapefruit 16-28p, pineapples 50p-£2.00 and bananas are 40-58p a lb. Courgettes are more widely available 80p-£1.25 (90p-£1.35), as are cauliflowers 30-60p each (40-65p). Peas from Egypt are *new in at £1.00-1.25 a lb, while calabrese 55-95p* and potatoes 9-12p for whites, reds 12-16p at the same price as last week. Cucumbers are in better supply this week at 70-95p each (70p-£1.00), but top quality tomatoes are now 55-80p a lb (50-70p). Iceberg lettuce are still 50-90p each, while celery is also unchanged at 50-65p a head.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,400 tonne
Cash	2127-32	2125-30	2133/2130	2132-3		
3 months	2122-5	2120-2	2129/2110	2126-7	2128-30	25,410 lots
Copper, Grade A (£ per tonne)						Ring turnover 33,450 tonne
Cash	1665-7	1633-5	1678/1675	1675-8		
3 months	1591-2	1562-3	1598/1566	1595-7	1591-2	64,753 lots
Silver (US cents/fine ounce)						Ring turnover 10,000 ozs
Cash	*591-4*	*573-6*	*584*	*584-5*		
3 months	*594-7*	*586-9*		*596-7*		344 lots
Lead (£ per tonne)						Ring turnover 9,025 tonne
Cash	345-7	348-50	350	349-50		
3 months	353-3.5	356.5-7.5	358/352	356-6.25	353-4	9,398 lots
Nickel ($ per tonne)						Ring turnover 792 tonne
Cash	18400-500	18350-450	18360/18250	18200-300		
3 months	18050-150	18050-100	18100/17700	17900-8000	18050-100	6,125 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 8,700 tonne
Cash	2002-10	1980-90	2002	2000-5		
3 months	1915-20	1895-900	1920/1888	1918-20	1910-5	4,704 lots
Zinc ($ per tonne)						Ring turnover 16,425 tonne
Cash	1960-70	1933-5	1960-1965	1955-60		
3 months	*1865-8*	*1840-5*	*1865-1845*	*1860-5*	*1857-60*	*11,691 lots*

POTATOES £/tonne

	Close	Previous	High/Low
Apr	63.4	65.3	65.0 62.9
May	77.0	78.3	78.0 76.5
Nov	89.0	89.0	
Feb	100.0	101.0	
Apr	129.0	129.0	129.5 128.5

Turnover 280 (453) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	154.90	153.80	155.50 155.00
Jun	149.50	148.50	150.00
Aug	144.00	144.20	145.00

Turnover 109 (45) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1518	1520	1520 1518
Mar	1580	1572	1590 1577
Apr	1628	1615	1630 1620
Jul	1442	1430	1457 1440
Oct	1565	1569	1569 1560
Jan	1580	1580	1580
Apr	*1560*	*1515*	*1590*
BFI	1499	1503	

Turnover 476 (637)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	112.45	112.00	112.60 112.25
May	116.30	115.70	116.30 116.10
Jun	117.80	117.40	118.00 117.80
Sep	104.20	103.85	104.15
Nov	106.50	106.25	106.65 106.50
Jan	109.75	109.50	109.80
Mar	112.90	112.55	112.85 112.60
Barley	**Close**	**Previous**	**High/Low**
Mar	108.75	108.35	108.75 108.65
May	111.35	110.95	
Sep	100.75	100.60	100.75
Nov	104.00	103.85	104.05 104.00
Jan	107.10		107.10

Turnover: Wheat 362 (491) , Barley 27 (148) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	382-382½	217¼-217¾
Opening	383¼-383¾	215-215½
Morning fix	384.25	217.521
Afternoon fix	384.25	216.784
Day's high	385½-386	
Day's low	382-382½	

Coins	$ price	£ equivalent
Mapleleaf	393-398	221½-224½
Britannia	393-398	221½-224½
US Eagle	393-398	221½-224½
Angel	393-398	221½-224½
Krugerrand	381-384	215-217
New Sov.	90-91	50¾-51½
Old Sov.	90-91	50¾-51½
Noble Plat	*540.5-549.5*	306.55-311.7

Silver fix	p/fine oz	US cts equiv
Spot	332.85	588.25
3 months	343.25	602.45
6 months	353.85	617.25
12 months	*374.05*	*647.60*

CRUDE OIL $/barrel

	Close	Previous	High/Low
Apr	15.82	15.61	15.96 15.77
May	*15.42*	*15.25*	*15.60 15.40*
Jun	15.20	15.04	15.40
IPE index	15.57	15.50	

Turnover: 4472 (1302)

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	139.00	136.00	140.25 137.50
Apr	137.50	133.50	138.00 135.25
May	134.75	132.50	136.50 134.50
Jun	133.50	131.50	135.00 131.50
Jul	133.00	130.50	134.50 133.50

Turnover 5788 (2320) lots of 100 tonnes

US MARKETS

PRICES REMAINED relatively unchanged in the gold, silver and *platinum markets as many await* Fridays US trade data, reports Drexel Burnham Lambert. Copper futures was the most active metal as it gained 185 basis March. Lack of speculators in the market led to this erractic rally. In the softs, sugar futures advanced 37 basis *May on heavy technical buying. Buy* stops above 1105 also helped the rally. Cocoa prices fell on commission house and speculative liquidation. Some arbitrage selling was also noted. In the meats, cattle prices were firm ahead of the cattle on feed report. Pork bellies gained on short-covering and the steady cattle futures. Live hogs had mixed trading. Cotton prices were lower on scattered long liquidation. In the grains, the soy complex was under pressure from a Brazilian report about bean production. Wheat prices slipped on no fresh news. Corn trading was featureless despite a strong cash market the energy complex featured some price consolidation with a firm tone seen throughout the day.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	383.6	384.6	385.5	382.8
Mar	385.4	386.5	0	0
Apr	387.1	388.2	388.9	385.9
Jun	391.8	393.8	394.2	389.1
Aug	397.2	398.3	398.9	396.2
Oct	402.7	403.8	403.6	402.7
Dec	408.2	409.3	410.0	406.8
Feb	383.6	384.6	385.5	382.8
Apr	419.4	420.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	*Previous*	*High/Low*	
Feb	535.0	538.2	0	0
Mar	536.0	536.2	0	0
Apr	535.0	536.2	541.0	534.1
Jul	534.0	535.2	538.0	534.0
Oct	534.0	535.7	538.5	534.0
Jan	535.0	530.8	527.0	526.5
Apr	536.0	539.7	539.0	539.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	588.3	589.0	0	0
Mar	589.5	590.5	592.0	586.0
Apr	594.6	595.6	0	0
May	599.8	600.9	602.5	597.0
Jul	*610.8*	*611.9*	*613.0*	606.0
Sep	621.3	622.4	622.5	619.5
Dec	636.7	637.8	639.0	634.0
Jan	641.2	636.4	0	0
Mar	651.9	653.0	655.0	650.0
May	662.5	663.6	0	0

COPPER 25,000 lbs; cents/lbs

	Close	*Previous*	*High/Low*	
Feb	129.20	127.35	129.50	128.80
Mar	127.20	123.80	128.35	123.20
Apr	123.80	122.00	0	0
May	120.50	118.70	121.60	119.50
Jul	116.00	114.80	116.80	115.40
Sep	113.30	110.50	114.00	111.50
Dec	110.30	109.00	111.00	109.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	18.40	18.25	18.48	18.15
Apr	17.47	16.81	17.84	17.30
May	17.12	16.96	17.18	16.85
Jun	16.85	16.68	16.89	16.56
Jul	16.65	16.43	16.70	16.32
Aug	16.43	16.22	16.45	16.12
Sep	16.24	16.06	16.24	16.00
Oct	16.15	15.96	16.15	15.85
Nov	16.13	15.90	16.13	15.85
Dec	16.20	15.86	16.20	15.80

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	4980	4874	5005	4870
Apr	4800	4723	4820	4695
May	4640	4574	4655	4550
Jun	4540	4477	4580	4450
Jul	4485	4430	4500	4400
Aug	4485	4477	4485	4482
Sep	4550	4542	4550	4540
Nov	4705	4672	4705	4705
Dec	4737	4808	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1635	1655	1642	1613
May	1542	1568	1568	1542
Jul	1496	1514	1512	1477
Sep	1460	1474	1460	1441
Dec	1440	1449	1468	1430
Mar	1430	1439	1435	1420

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	129.25	132.80	135.50	128.30
May	127.61	127.58	129.86	126.25
Jul	124.83	124.61	126.50	123.40
Sep	122.68	122.10	124.24	121.60
Dec	120.33	119.68	122.24	119.50
Mar	121.00	117.78	123.00	119.50
May	122.50	118.83	0	0
Jul	121.82	117.83	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Spo.	10.97	10.30	11.00	0
Mar	11.11	10.48	11.22	10.60
May	11.14	10.74	11.22	10.85
Jul	11.04	10.72	11.09	10.85
Oct	10.44	10.59	10.81	10.73
Jan	10.79	9.99	10.87	0
Mar	*10.84*	10.45	*0*	*0*

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	*57.70*	58.35	58.05	57.55
May	58.98	58.54	59.00	58.05
Jul	58.35	58.93	58.57	58.10
Oct	57.98	58.25	58.20	57.95
Dec	58.10	58.20	58.20	57.91

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	139.00	138.50	140.00	137.30
May	137.90	137.30	138.00	136.80
Jul	136.40	136.40	137.20	136.25
Sep	136.90	135.75	136.90	136.00
Nov	133.50	132.20	133.50	133.50
Mar	130.25	131.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 15	Feb 14	mnth ago	yr ago
1932.5	1960.7	1891.0	1762.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	134.73	134.66	139.77	131.08
Futures	137.85	136.76	143.86	130.01

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	727/2	738/4	740/4	726/0
May	738/0	748/6	750/6	737/0
Jul	745/6	758/0	756/0	745/0
Aug	741/6	750/0	752/0	740/4
Sep	724/4	730/0	732/0	724/0
Nov	712/6	716/4	718/6	712/0
Jan	720/0	723/4	726/0	719/0
Mar	725/0	729/0	731/4	724/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.88	22.10	22.18	21.70
May	22.43	22.60	22.70	22.25
Jul	22.95	23.17	23.28	22.80
Aug	23.15	23.35	23.45	23.05
Sep	23.47	23.62	23.60	23.35
Oct	23.57	23.85	23.70	23.50
Dec	23.75	24.05	24.05	23.70
Jan	23.90	24.22	24.15	23.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	231.6	235.6	236.0	231.2
May	229.3	232.7	233.2	229.0
Jul	226.2	229.2	229.8	225.5
Aug	223.0	225.0	226.8	223.0
Sep	219.5	221.0	222.5	223.0
Oct	215.5	215.0	217.5	217.0
Dec	215.0	214.5	217.0	213.5
Jan	214.1	213.5	214.0	214.2

MAIZE 5,000 bu min; cents/56lb bushel

	Close	*Previous*	High/Low	
Mar	269/0	271/0	271/2	268/4
May	276/0	277/6	278/4	274/6
Jul	279/2	281/6	282/4	279/0
Sep	271/6	272/4	272/4	271/4
Dec	270/0	271/0	271/0	269/6
Mar	276/6	277/6	0	0
May	278/6	279/6	0	278/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	422/4	425/2	427/6	421/0
May	420/4	425/6	427/0	420/0
Jul	399/0	408/0	408/0	398/4
Sep	405/0	413/0	413/0	405/0
Dec	415/6	424/6	428/6	415/4
Mar	420/0	429/0	425/0	420/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	74.85	74.52	74.95	74.55
Apr	75.47	75.30	75.57	75.40
Jun	73.65	73.60	73.85	73.60
Aug	71.77	71.82	71.85	71.52
Sep	71.25	71.25	0	0
Oct	70.92	70.82	71.10	70.77
Dec	72.28	72.20	72.25	72.00
Feb	71.90	71.72	71.90	71.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.75	41.82	42.05	41.45
Apr	41.97	42.27	42.15	41.90
Jun	46.82	46.75	47.00	46.70
Jul	47.05	47.12	47.20	47.00
Aug	46.15	46.07	46.20	46.05
Oct	42.95	43.05	43.15	42.85
Dec	44.90	45.00	44.92	44.90
Feb	45.00	45.12	45.40	45.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.40	37.92	38.65	37.65
Mar	37.90	37.32	38.10	37.20
May	38.67	38.30	38.95	38.20
Jul	39.05	38.67	39.40	38.87
Aug	37.92	38.15	38.45	37.80
Feb	49.72	51.12	50.95	49.45

LONDON STOCK EXCHANGE

Shares ease ahead of US trade data

AN INCREASINGLY cautious UK stock market continued to give ground yesterday but steadied in the second half of the session when Wall Street came in with another round of early gains. The latest batch of data on domestic earnings, wage costs and employment found a somewhat bearish reception. However, the test of the market's nerve will come today when it must face the domestic Retail Price Index and December trade figures from across the Atlantic.

Turnover was boosted yesterday by several programme trades, worth a total of around £160m. The market opened firmly, reflecting Wall Street's overnight strength, but turned off when BZW reportedly operated the sell side of a programme of which the buy side had been started at Wednesday's close. Two smaller programmes followed, and with both also finding it difficult to sell shares the market sagged by 18 FT-SE points.

Account Dealing Dates

First Dealings:	Jan 30	Feb 13	Feb 27
Option Declarations:	Feb 9	Feb 23	Mar 9
Last Dealings:	Feb 10	Feb 24	Mar 10
Account Day:	Feb 20	Mar 6	Mar 20

*New time dealings may take place from 9.00 am two business days earlier.

The low point came following disclosure of a larger than expected 2.2 per cent annualised gain in unit wage costs for December, and a gain of 8.75 per cent in average earnings for the month, both of which were seen as a sign of continued strength in the economy.

However, the later stages of the programmed trades lay mostly on the Beta stocks. The Alphas were sustained by Wall Street's recent firmness, and by demand for ICI ahead of the trading figures which are due next week.

Trading results from other major stocks, notably British Petroleum and British Telecoms were taken cautiously, albeit without any major selling.

The market rallied towards the close, to show a final reading on the FT-SE Index of 2038.8, a net fall of 13.7. Market analysts remained cautious on the outlook for equities. Most agree that the expected technical correction has yet to come. Mr Robin Aspinall, strategist at Schroder Securities, while remaining fundamentally bullish for equities, believes the FT-SE could dip to around 1960 in a short term shakeout.

Seaq volume jumped to 644.1m yesterday from Wednesday's 468.5m, an apparently welcome return towards the higher totals of last month's bull phase. However, traders stressed the contribution from the trading programmes. "Of course all business is good business, but without the programmes we would have had another thin day", commented a trader at a large US house.

London was clearly nervous yesterday as dealers tried to avoid being caught "long of stock" if the predicted market shakeout gets under way. The dip in the Australian dollar was blamed for losses in a number of stocks. On the other side of the balance, several well-seasoned speculative stocks suddenly caught alight, despite the absence of any new developments.

FINANCIAL TIMES STOCK INDICES

	Feb. 16	Feb. 15	Feb. 14	Feb. 13	Feb. 10	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	89.15	88.90	88.96	88.98	89.10	88.78	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.80	97.65	97.67	97.56	97.37	95.13	98.67 (25/5/88)	94.14 (9/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1667.2	1677.4	1675.0	1659.1	1660.8	1399.4	1714.7 (8/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	159.4	158.6	163.0	165.4	167.1	270.9	312.5 (7/1/88)	158.8 (15/2/88)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Div. Yield	4.36	4.34	4.35	4.39	4.34	4.48
Earning Yld %(full)	10.67	10.63	10.64	10.90	10.85	11.29
P/E Ratio(Net)(*)	11.18	11.22	11.21	11.04	11.18	10.82
SEAQ Bargains(5pm)	25,984	25,185	27,508	30,223	40,611	23,488
Equity Turnover(£m)†	-	1088.84	1408.23	1361.59	1503.74	1390.43
Equity Bargains†	-	28,856	31,400	37,609	45,690	27,314
Shares Traded (ml)†	-	497.5	517.3	521.0	657.9	411.6

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1678.1	1671.4	1667.8	1683.2	1664.6	1667.7	1669.2	1666.9

DAY'S HIGH 1678.1 DAY'S LOW 1662.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.11 †Excluding intra-market business.

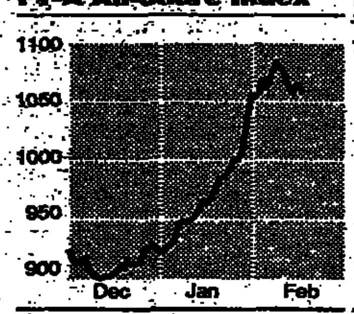
S.E. ACTIVITY

Indices	Feb.15	Feb.14
Gilt Edged Bargains	98.1	103.2
Equity Bargains	187.0	203.5
Equity Value	2202.8	2646.4
5-Day average		
Gilt Edged Bargains	103.9	106.7
Equity Bargains	246.5	270.6
Equity Value	2787.7	2953.9

● London Report and latest Share Index: Tel. 0898 123001

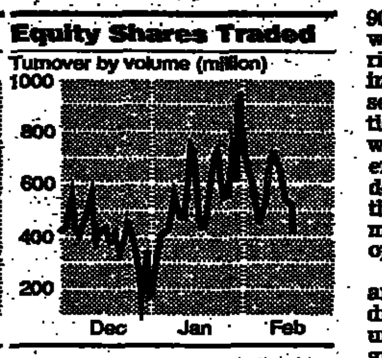
Conran stores shock

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



The share price of Sir Terence Conran's Storehouse group turned in a resilient performance in the wake of further bad news from the company. As soon as the £48m charge against pre-tax profits for the current year was announced, Storehouse dropped 7 to 172p, and although 9m shares subsequently went through the system, the closing price of 170p (a net 9 down on the day) proved that there was some support for the stock.

Alongside several comments from inside the market that 140p was a more realistic price for Storehouse, dealers concluded that it was only of a bid that was propping the shares up. "The speculators are still looking to US arbitrageur Mr Asher Edelman to make some sort of approach with his 6 per cent holding," said one marketmaker.

However, most eyes were on the figures, and after a flurry of brokers' downgradings the average market estimate for profits in the current year had come down to £15m (after exceptional costs), and for 1990 to £60m. "The shares remain expensive on fundamentals and they are unlikely to recover until sales per square foot go up," said one analyst who held out little hope for any form of profits growth in 1989/90.

Saatchi aflame

Saatchi & Saatchi, the international advertising agency, came sharply into focus after a front page story in the Mirror's main tabloid claimed that two former US executives might make an audacious bid for the group. Mr Bob Jacoby, chief of the Ted Bates agency until acquired by Saatchi in 1987, and Mr John Hoyne, his former right-hand man, are bent on revenge, so the story went, holding a small share stake which Saatchi insiders fear might be substantially increased.

Having detected few signs lately of aggressive buying from the US, where Saatchi shares have been trading at a discount in ADR form, London traders were generally scornful of the report. They reflected that the stake at present held by the two executives were too small to present much more than a cause of irritation to the board.

Speculation was inevitably aroused however, and market interest soon began to turn to the break-up value of the UK group's assets, which is significantly higher than the current share price. Mr Andrew Mills of BZW referred to this in a recent review of the sector. Some traders thought this a more convincing reason for yesterday's aggressive domestic buying of Saatchi shares which surged to 412p, up 25 on the session.

Laporte nervous

Laporte Industries shares twitched nervously awaiting next Wednesday's annual figures, losing 11 to 409p. One reason for the reaction was notice of a pre-results downgrading by Citicorp Scrimgeour Vickers. The trio of analysts covering the chemical sector have lowered estimates of likely profits for the next three years, although the 1988 forecast is only marginally reduced to £82m. This figure excludes profits on property disposals and investments.

Their advice is to reduce holdings because the market's long held perception that Laporte can deliver consistent 15 per cent growth is looking increasingly wide of the mark as Interox reassesses its prospects in the light of the damaging switch to liquid detergents in Europe.

"Although Laporte could have some attractions in the longer term as an asset play, we think that for a period abandoned growth targets leave the shares (which are on a market rating) vulnerable to underperformance," they argue.

Firmness on Wall Street provided an underpinning for international stocks, which were featured by support for several of the leading names. ICI, with the results due next week, were pushed higher by a severe squeeze as marketmakers hurried to find stock for their trading books. At 1196½p, the shares rose 11½, although turnover was an unimpressive 1.5m shares.

More convincing was a 6 rise to 571p in Beecham on 3.9m shares as renewed US demand inspired support from some UK funds. London analysts are cautious, however; Mr Paul Woodhouse of Citicorp Scrimgeour Vickers believes Beecham are fully valued by the market already.

There was a smart reaction in Wellcome, finally 6 off at 477p, to new reports from the US that Merck, the world's largest pharmaceuticals group, is pressing on with successful testing of an anti-Aids rival to Retrovir.

A renewed advance in Reuters B, 24 up at 638p, indicated both satisfaction with the trading results announced this week, but also growing expectation that the A shares will soon become tradeable.

Suggestions that Minorco is about to announce its new bid for Consolidated Gold Fields continued to circulate, taking Gold Fields a few pence higher to 1445p as the market awaited the ruling from the EC Commission on the original bid proposal. Turnover in the stock was thin, however, and City analysts questioned whether Minorco could act before it receives clearance in the US courts.

Reckitt & Colman suffered a bout of selling on fears, largely unsupported by analysts, that the fall in the Australian dollar would cut into earnings. At 1028p, the shares ended 20 down with 2m shares traded.

Money brokers MAI fell 4 to 90p amid suggestions that it was about to launch a bid for rival International City Holdings (ICH). However, MAI subsequently said: "The suggestion that MAI will bid for the whole of ICH is untrue." ICH ended 2 lower at 80p, although dealers were not discounting the possibility that MAI might make an offer for part of ICH's operations.

PWS were a notable casualty among insurance brokers, dropping 10 to 118p amid uncertainty as to whether the group's final results, already delayed once, will appear on schedule next Monday.

Blue Circle were bought late and closed 9 up at 494p but other highlights in the Building sector were confined to secondary stocks. Camden moved 19 higher to 375p after a City seminar, while J Latham, the timber merchant, rose 15 further to 335p.

Second-line store Summer International, formerly known as Sumrie Clothes, rose a penny to 49p amid talk that the company was poised to sell its Linguarama operations to US publishing house Macmillan.

News of British Telecom's third-quarter figures at the low end of expectations was greeted with a cut of 5 to 277p in the share price. Mr Jack Summerscale, senior analyst at BZW, warned that "core volume growth has passed its peak and that next year's forecasts are being trimmed slightly."

A dispirited air wafted though the electrical sector, and volumes were low. Talk of a profits downgrading from Morgan Stanley lowered STC 9 to 308p. But Morgans denied changing its forecast and blamed the fall on continuing bearish sentiment, two weeks before results, over subsidiary ICL's performance in Europe.

A tiger cut profits downgrading, due to be published this morning by Scrimgeour Vickers, knocked 11p off Racal at 328p. The uncertain UK defence and US datacommunications businesses are the worries, say Scrimgeours, the group's broker, which is also cutting its 1990 forecast.

BICC was marked down on because of weakness in the Australian dollar which could cut income from metal manufacturing. Profit-taking in a thin market helped the decline and the shares touched 452p before finishing 8 lower on the day at 457p.

An apparently bright spot was Amstrad which rose 2 to 157p after the company's brokers, James Capel, briefed institutional investors at Amstrad's Brentwood headquarters. Stories later revived of a possible Amstrad-GEC tie-up but an analyst commented, "a perfect stockbroking story for moving a price but very unlikely to happen". GEC moved down 3 with the market to 220p.

Plessey, the sector's number one bid candidate, firmed a penny to 255p. "Why sell Plessey in a weak market when there's everything else to sell," said one trader.

Rolls Royce dropped 4 in early trading but bounced back almost immediately and finished unchanged at 166p. Turnover was 5.7m in an otherwise relaxed day for the engineering sector.

Bid hopes kept Gateway afloat as joint brokers BZW and Warburg Securities reduced their earnings forecasts for the supermarket group after a profits warning from the company on Wednesday. Dealers reported a big buyer of the stock at 169p and the shares closed a halfpenny firmer at 168½p on turnover of 6.2m shares.

Thorntons, the chocolate maker, added 7 at 156p on what one marketmaker described as "very vague bid talk." He said that market was speculating that if, as expected, Procordia fails with its attempt to win Bassett Foods, the Swedish group will turn its attention to Thorntons.

Acatos & Hutcheson slumped 25 to 218p following warnings from the chairman of deteriorating business conditions; high interest and currency rates are likely to have an adverse affect on the trading performance this year, he said.

Two news items enabled British Aerospace to move against the trend of the wider market and settle 5 higher at 535p. The first was the announcement of a restructuring programme, which will result in staff cuts, and the second related to the signing of the Lufthansa contract for the purchase of 15 Airbus Industrie A-340s aircraft and options on 15 more, worth some $3bn.

Chamberlain & Phipps reacted following the agreed revised terms from Evode. The movement brought prices of their respective shares closer together with Chamberlain ending at 189p, down 7, and Evode 4 off at 187p. Jackson Bourne End shot up 23 to 140p as property hopes revived.

Owners Abroad edged a penny higher at 81p after sounding an optimistic note on publication of full year profits up by more than half.

US dollar influences touched off selling of Jaguar shares, which fell 9 to 305p, but Motors issues had firm distributor features in Lancaster, up 7 at 144p, and in Lookers, 6 higher at 178p.

WPP basked in the strength of Saatchi, rising 15 to 678p, although some buyers were looking ahead to the preliminary figures, due to be reported on March 2. Boase Massimi was another beneficiary with a gain of 8 to 244p.

The decision by REA Holdings not to proceed with the offer for Anglo Eastern Plantations brought the latter's shares back 9 to 83p.

BP's final profit for 1988 of £1,437m on replacement cost was towards the bottom end of the London market's range of forecasts and with the dividend total also disappointing, sellers moved in quickly. The analyst team at Kleinwort Benson, noting that production earnings were lower, saw the BP figures as "more reason to prefer Shell." Although fears of selling from the US proved overdone, there was no recovery in the shares. The BP partly-paid stock ended 4 off at 170p on turnover of 3.5m, with the old shares 4 down at 271p on 8m.

Activity in traded options was dominated by turnover in Racal and in the FT-SE 100 Index, though there was also relatively good business in British Telecom, and a late run of dealings in Lonrho. Overall turnover came to 37,812 contracts, including 28,851 call. The Index business lay in 10,339 calls and 2,951 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,500	142½	-3½	Commercial Union	785	365	-1	Land Securities	790	568	-11	Rothmans	91	588	+1
Allied-Lyons	2,900	469	-6	Cons. Gold Fields	985	1440	-1	Laporte	859	409	-11	Royal Bk. of Scotland	420	394	
Amstrad	2,000	157	+2	Cookson	546	308	-8	Legal & General	597	318	-1	Royal Insurance	1,400	494	-3
Argyll Group	2,400	182	-3	Courtaulds	1,036	294	+2	Lloyds Bank	4,100	371	-9	STC	2,800	312	-5
Ass. Brit. Foods	814	352	-2	Dalgety	932	357	-6	LASMO	449	480½	-½	Saatchi & Saatchi	4,975	411	+24
BAA	1,700	385	+2	Dixons	5,000	158	-3½	Lonrho	629	340	-3	Sainsbury	2,700	233	-2
BAT	1,800	548	-2	Eng. China Clays	899	502	-1	Lucas	745	638	-4	Scot & Newcastle	361	417	+2
BET	1,700	261	-1	Enterprise Oil	485	544	+1	MB Group	735	288		Sears	5,885	122½	-4½
BICC	1,100	457	-8	FKI Babcock	1,200	154½	+½	MEPC	359	558	-11	Shell Transport	2,800	367½	-½
BOC	1,500	491	-8	Fisons	1,400	277	-3	Marks & Spencer	2,600	165	-1½	Siebe	1,100	461	+3
BPB Inds.	1,400	250		Gateway Corp.	6,200	168½	+½	Maxwell Comm.	414	217	+1	Slough Ests	785	327	
BTR	5,300	336½	-8½	General Accident	524	933	-5	Midland Bank	1,300	457	-3	Smith & Nephew	5,100	132	-1½
Barclays	2,600	457	-5½	General Elect.	1,500	220	-3	Nat. West. Bank	1,900	609		Standard Chartd.	893	958	-6
Bass	345	926	+4	Glaxo	1,200	1255	+2	Next	2,400	156	-4	Storehouse	9,300	170	-9
Beazer	2,900	206	-1	Globe Inv.	339	164		Northern Foods	985	292	-1	Sun Alliance	888	1098	-7
Beecham	3,900	571	+6	Glynwed Int.	1,600	337		Pearson	183	699	-2	T&N	984	206	-4
Blue Arrow	13,000	91½		Granada	886	359		Pearl	203	422	-4	TSB	4,000	121¼	-1½
Blue Circle	848	494	+9	Grand Met.	1,565	525½	-3½	P & O	1,200	676	-2	Tarmac	2,300	285	+2
Boots	1,100	261	-1	GUS A	269	1085		Pilkington	1,400	243		Tate & Lyle	619	238	-2
British Airways	5,300	193	-2½	GRE	1,200	212	-1	Plessey	1,200	255	+1	Tesco	2,100	156	-1
Brit. Aerospace	3,300	535	+5	GKN	1,000	356	+1	Polly Peck Intl.	448	332	-1	THORN EMI	840	695	-8
Brit & Comm.	167	235	-1	Guinness	1,315	391	+1	Prudential	2,700	168	-1½	Trafalgar House	777	340	+1
British Gas	6,400	174½	-3	Hammerson 'A'	98	884	-5	Racal	6,700	327½	-11½	Trusthouse Forte	3,400	283	-3½
British Land	499	348	-5	Hanson	9,700	178	-1½	Rank Org.	1,200	902	-9	Ultramar	1,000	292	+1
BP	7,984	271½	-3½	Harrisons & Cros.	346	730	-3	RMC	824	603		Unilever	1,500	550	+1
British Steel	18,990	77	-¼	Hawker Siddeley	722	657		RHM	733	383	-5	United Biscuits	701	338	-3
British Telecom	6,200	277	-5	Hillsdown Hldgs	2,100	274	-1	Reckitt & Colman	2,080	1028	-20	Utd. Newspapers	488	460	-4
Burmah Oil	314	529	-3	IMI	613	227	-2	Redland	436	490	+3	Wellcome	1,600	477	-6
Burton	2,500	289½	-2½	Imp. Chem.	1,500	1196½	+11½	Reed International	1,500	436	-3	Whitbread 'A'	579	331	+2
Cable & Wireless	4,400	420	-6	Inchcape	185	247	-2	Reuters 'B'	3,500	638	+23½	Williams Hldgs.	546	273	-2
Cadbury Schweppes	1,600	355	-3	Jaguar	1,700	305	-9	RTZ	3,100	512	+3	Wimpey	550	291	-2
Coats Viyella	2,200	164		Ladbroke	1,300	527	-4	Rolls Royce	5,600	166		Woolworth Hldgs.	1,400	274	-2

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (118).
BRITISH FUNDS (10) INT'L BANK & O'SEAS GOVT. STLS. (1) Asian Dev. 10¼pc 2009, Australia 13½pc 2010, BANKS (1) [illegible] BUILDINGS (6) [illegible] Centres, ELECTRICALS (8) Blick, Control Tech, First Tech., Molynx, Renishaw, ENGINEERING (15) FOODS (6) Clifford Foods, Do. "A" N-Vtg., Thorntons, Wardell Roberts, Whatman Reeve, INDUSTRIALS (25) AAH, AAH Health, BBA Group, Do. 8.7pc Rd. Pf., Barrett (Henry), Brown & Tawse, Burndene, Carbo, Chieftain Grp., Christies Intl., Dauphin, Davies & Newman, Embart, Halma, Jackson Bourne, Johnson Cleaners, Lilleshall, Lincat Grp., Macfarlane, Marling Ind., Melville Grp., Portmeirion Pots., Reuters "B", Shanks & McEwan, Stbs. Bus. Grp., INSURANCE (1) Utd. Friendly B, LEISURE (3) Capital Radio, Cityvision, Saga Grp., TV-am, Thames TV, MOTORS (3) Bosch, Volvo, NEWSPAPERS (3) Glenholm Exhibitions, Gardner D.C., Independent, PAPERS (4) Carlton Communications, FKB Group, More O'Ferr., Norton Opax, PROPERTY (8) Brixton Grn., Herring Son & Daw, Lucton (A.&J.), SHIPPING (2) P&O Dfd., Do. Sub Wrrnts., Do. 5.3pc Cv. Pf., Tiphook, TRUSTS (12) OILS (2) Monument Oil, Petrocon, OVERSEAS TRADERS (1) First Pac. Co.

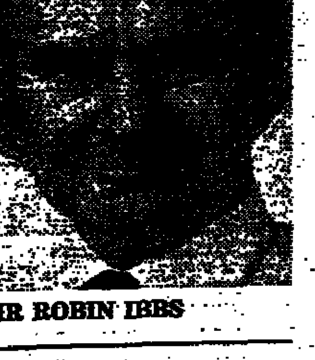
NEW LOWS (6).
STORES (1) Storehouse, INDUSTRIALS (1) Plumb Hldgs., INSURANCE (1) PWS Hldgs., MINES (2) Kidston Gold Mines, Western Areas, THIRD MARKET (1) Caldwell Inve.

APPOINTMENTS

New post for Robin Ibbs

■ Sir Robin Ibbs, deputy chairman of Lloyds Bank, and until recently adviser to the Prime Minister on efficiency and effectiveness in government, has been appointed chairman of LLOYDS MERCHANT BANK HOLDINGS. Mr C.R. Smith and Mr E. Swainson, both Lloyds Bank directors, with experience in the North of England and the Midlands, have joined the LMBH board. Also joining the board are the heads of the operating divisions of Lloyds Merchant Bank: Mr R.C.G. Fortin (corporate finance); Mr R. Hollidge (development capital); Mr C.N. Hurst-Brown (investment management); and Mr P.D. Minchin (stockbroking). The other members of the board are: Mr N.W. Jones, deputy chairman of Lloyds Bank; Sir William Harding, Lloyds Bank director; and Mr D.O. Horne, chairman and chief executive of Lloyds Merchant Bank. Sir Lindsay Alexander retired as chairman of LMBH last December when he retired as deputy chairman of Lloyds Bank, of which he remains a director.

■ Mr Alan Lewis has been appointed group managing director of the MUNICIPAL GROUP in succession to Mr Max Rodenburg who is retiring. Mr Lewis joins from Argus Press where he was managing director of Argus



SIR ROBIN IBBS

Health publications. Mr Malcolm Taylor succeeds Mr Jack Mitchell as managing director of the group's exhibition organising company, Brintex.

■ SCHRODER SECURITIES has appointed Mr Richard Harwood as head of UK research. He was with Morgan Grenfell.

■ KELT UK has appointed Ms Alison Shields as finance director. She joins from Ranger Oil.

■ Mr Roy Grantham, general secretary of the Association of Professional, Executive, Clerical and Computer Staff, has become a director of ANSVAR INSURANCE, which caters for non-drinkers. He is vice chairman of the UK Temperance Association. Ansvar is the UK subsidiary of the Swedish company Ansvar Mutual.

■ Following the acquisition of COUNTY KITCHENS by Cornwell Parker, Mr John C. Mason, finance director of Cornwell Parker, has been appointed chairman of County Kitchens, and Mr Richard J. Gloyn, a CP director, also joins the board. Mr Robin Perry remains managing director and Mr David Hewitt, sales director, of County Kitchens.

■ Following the acquisition of Matthew Hall, former chairman Sir George Jefferson has joined the main board of AMEC as a non-executive director. Mr Malcolm Hawe, managing director of Fairclough Homes, joins the AMEC board as an executive director.

■ Mr J.A. Dick and Mr S.F. White have been appointed directors of F. & C. EUROTRUST.

■ Mr John Bailey has been appointed finance director and company secretary of PAVILION LEISURE HOLDINGS. He was a partner with City accountants Longcrofts.

■ Mr Eliot Walker has been appointed to the board of BROOKMOUNT ESTATES, and to the board of Brookmount Development Management. He was building director at Heron Property Corporation.

■ STEPHENSON GROUP, Bradford, has appointed Mr John Reid as production and technical director. He was with ICI at Wilton.

■ Mr Thomas Mulvaney has been appointed finance director of Tungstone Batteries. Mr Allen Quinney becomes director and general manager of Crompton Vidor. Both companies are subsidiaries of HAWKER SIDDELEY.

■ MYNSHUL BANK, a division of Swinton Holdings, has appointed Mr Roger Hoyle as managing director of a new holding company to oversee Mynshul's various activities.

■ TOWN & COUNTRY BUILDING SOCIETY has appointed Mr Ian Hancox, London regional manager, as assistant general manager (development). Mr John Steans, northern regional manager, becomes assistant general manager (operations).

■ Mr J.A. Dick and Mr S.F. White have been appointed directors of F. & C. EUROTRUST.

■ TAMARIS has appointed Mr Andrew Pearce as financial controller and company secretary. He was group accountant at C.H. Industrials.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 5968

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	115.8	117.0	125.4		2.95
PM Income & Gth	5	104.2	105.9	112.6	+0.3	4.23
PM Nth Amer Gth	5	46.67	46.67	49.64	+0.61	0.52
PM European Gth	5	46.29	46.29	49.24	-0.35	0.90
PM Japan Gth	5	80.40	80.47	85.60	-0.59	0.29
PM Overseas Gth	5	49.90	49.90	53.08	-0.21	0.89

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	65.01	65.45	69.66	+0.32	5.65
European	5	56.60	57.17	60.82	-0.09	0.43
Far Eastern	5	54.71	54.73	58.22	+0.56	1.19
Growth	5	87.42	91.76	97.62	+0.40	1.66
Income	5	80.10	82.85	88.13	-0.03	3.60
Property Share	5	53.95	54.95	58.49	+0.08	1.27
Smaller Co's	5	58.58	61.86	65.81	+0.23	1.42
Formerly KBC Trust Managers Ltd						
Windsor Sel Gth Acc ♦	5	62.56	62.56	66.91	-0.02	1.92
Windsor Select Inc ♦	5	67.48	67.48	72.17	-0.11	3.46
Windsor Sel Inc Acc ♦	5	72.42	72.42	77.45	-0.13	3.46
Windsor Wlb Accum ♦	5	51.56	51.56	55.15	+0.04	2.87
Windsor Intl ♦	5	41.47	41.47	44.36	+0.32	1.49
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 8592						
Growth	5	92.48	92.48	96.38		3.90
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5½	60.56	62.86	66.85	+0.36	3.33
YUTM UK Edy Inc Bz	5½	58.97	60.89	64.78	+0.09	4.58
YUTM Intl Gwth Tst ♦	5½	45.82	45.82	48.94	-0.36	1.12

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt Feb 15	428.8	445.3		
Cent. Bd. of Fin. of Church of England‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Jan 31		492.95		4.71
Fxd Int Sec Jan 31		145.75		9.95
Deposit Jan 31		100.00		12.45
Charities Official Invest. Fund‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Jan 31		469.31		4.97
Accum Jan 31		1500.47		

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	254.7	268.2		-
Equity Acc	804.6	847.0	-1.3	-
Property Acc	479.3	504.6	+0.1	-
Far East Acc	194.4	204.7	+0.3	-
European Acc	19.8	20.9	-0.1	-
Managed Acc	637.3	670.9	-0.8	-
Managed Cap	363.3	382.5	-0.5	-
O'seas Earnings Acc	539.1	567.5	-0.7	-
Gilt Edged Acc	316.7	333.4	+0.7	-
American Equity Acc	393.7	414.5	+4.3	-
American Man Acc	183.8	193.5	+1.9	-
American Prop Acc	134.0	141.1	+0.7	-
Pen F.I. Dep. Cap	280.1	294.9		-
Pen F.I. Dep. Acc	474.6	499.6	+0.2	-
Pen Prop. Cap	562.5	590.9	+0.2	-
Pen Prop. Acc	1049.9	1105.2	+0.3	-
Pen Man. Cap	781.7	822.9	-1.0	-
Pen Man. Acc	1461.5	1538.5	-3.5	-
Pen Gilt Edg. Cap	315.6	332.3	+0.4	-
Pen Gilt Edg. Acc	482.2	507.6	+0.8	-
Pen Eq. Cap	1278.4	1345.7	-3.9	-
Pen Eq. Acc	1811.6	1907.0	-5.3	-
Pen Am. Eq Cap	124.2	130.8	+1.4	-
Pen Am. Eq Acc	148.3	156.2	+1.7	-
Pen Far East Cap	229.9	242.0	-1.1	-
Pen Far East Acc	274.6	289.1	-1.3	-
Pen Euro Cap	22.7	23.9	-0.1	-
Pen Euro Acc	24.4	25.7		-
Pen B.S. Acc	516.9	542.8	+0.2	-
Pen B.S. Cap	313.7	329.4	+0.1	-
Pen D.A.F. Acc	342.9	362.9	+0.1	-
Pen D.A.F. Cap	247.2	247.2		-
Pen Mortgage Cap	140.1	147.5	+0.1	-
Pen Mortgage Acc	167.2	176.1		-

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Life and M & G Pensions—Contd.				
Deposit (Cap)	164.7	173.0		-
Deposit (Acc)	247.5	260.0	+0.1	-
European (Cap)	126.5	133.0	-1.1	-
European (Acc)	190.2	199.8	-1.7	-
Equity (Cap)	438.9	461.0	+0.8	-
Equity (Acc)	659.5	692.6	+1.1	-
Gilt (Cap)	256.9	269.9	+0.1	-
Gilt (Acc)	386.1	405.5	+0.2	-
Gold (Cap)	58.8	61.8	-0.9	-
Gold (Acc)	88.3	92.8	-1.4	-

	Bid Price	Offer Price	+ or -	Yield Gross
NEL Britannia Assce Co Ltd				
Milton Court, Dorking, Surrey 0306 887766				
Capital Growth	117.1	123.3	-0.1	-
Managed Income	118.8	125.1	-0.3	-
Cap Gwth Ser B	108.6	114.3		-
Mngd Income Ser B	105.4	110.9	-0.2	-
NBA UT Portfolio	103.9	103.9	-0.1	-
New Era Pensions				
Mngd Gilt Edged Fd	104.4	104.4	+0.1	-
Mngd Bldg Soc Fd	106.7	106.7	+0.2	-
Mngd Currency Fd	106.7	106.7	+0.2	-

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	283.3	298.3	.....	−
Man Pens Inc & Cap Fds	368.0	387.4	.....	−
Money Fund	117.1	123.3	.....	−
Pens Mngd Fd (Unit)	99.4	104.7	.....	−
Pens Mngd Fd (Acc)	118.2	124.5	.....	−
Pens FT30 Fd (Init)	140.9	148.4	.....	−
Pens FT30 Fd (Acc)	167.5	176.4	.....	−
Pens O'seas MgFd(Init)	70.0	73.7	.....	−
Pens O'seas MgFd(Acc)	83.3	87.7	.....	−
Pens Fxd Int Fd (Init)	106.0	111.6	.....	−
Pens Fxd Int Fd (Acc)	126.1	132.8	.....	−
Pens Deposit Fd (Init)	103.3	108.8	.....	−
Pens Deposit Fd (Acc)	122.8	129.3	.....	−
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	106.0	112.0	+1.0	−
Building Soc. Fd	167.0	176.0	.....	−
Balanced	270.0	285.0	+1.0	−
Deposit	166.0	175.0	.....	−
European	148.0	156.0	.....	−
GT Managed	171.0	180.0	.....	−
Gartmore Mngd	111.0	117.0	.....	−
German	104.0	110.0	.....	−
Gilt	175.0	185.0	.....	−
Global	48.0	51.0	.....	−
High Inc	114.0	120.0	.....	−
International Equity	176.0	186.0	.....	−
Japan	237.0	250.0	+1.0	−
Managed	60.0	64.0	.....	−
Property	276.0	291.0	.....	−
R. W. Imperial Gold	130.0	137.0	.....	−
UK Equity	363.0	383.0	+1.0	−
Pension Funds				
American	132.0	139.0	.....	−
Building Soc. Fd	164.0	173.0	.....	−
Balanced	208.0	219.0	.....	−
Deposit	159.0	168.0	.....	−
European	153.0	162.0	.....	−
German	95.0	100.0	.....	−
Gilt	146.0	154.0	.....	−
International Equity	129.0	136.0	.....	−
Japan	137.0	145.0	.....	−
Managed	62.0	66.0	.....	−
Property	213.0	225.0	.....	−
UK Equity	317.0	334.0	.....	−
Prolific Life & Pensions Ltd				

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	524.3	551.9	−4.9	−
Equity	761.2	801.3	−5.8	−
Global Equity	208.4	219.4	−6.2	−
Fixed Interest	403.4	424.7	+1.1	−
Property	373.4	393.1	+0.7	−
Cash	150.5	158.5	+0.1	−
Index Linked Gilt	192.0	202.2	+0.4	−
Guaranteed	11.87		+0.19	−
International Money	192.1	202.3	−0.2	−
North American	57.8	60.9	+0.8	−
Japanese	138.5	145.8	−0.1	−
European	78.0	82.2	−0.1	−
Special Situations	114.9	121.0	+0.1	−
Communications	90.4	95.2	+0.1	−
Smaller Companies	105.5	111.1	+0.2	−
International Small Cos	115.0	121.1	+0.5	−
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary Feb 16	£145.23	150.17	−0.4	−
Equity Feb 16	£154.19	165.04	−0.13	−
International Feb 16	£23.42	24.13	−0.31	−
Intl Bond Feb 16	£11.04	11.18	−0.12	−
Fixed Int Feb 16	£71.82	72.77	−0.04	−
Index Linked Feb 16	£59.12	59.86	+0.19	−
Property Feb 16	£101.89	109.10	+0.03	−
Cash Feb 16	£20.0762	20.0762	+0.0488	−
Pru-Linked Retirement Plan				
Managed Feb 15	358.6	373.6	.....	−
Cash Feb 15	189.1	197.0	.....	−
Prudential Pensions Investment Account				
Pens Mngd Feb 16	147.2	155.0	+0.2	−
Pens UK Eq Feb 16	275.0	289.5	+0.6	−
Pens Intl Feb 16	168.9	177.8	−0.9	−
Pens Fixed Feb 16	165.9	174.7	.....	−
Pens Index Lk Feb 16	151.1	159.1	+0.8	−
Pens Cash Feb 16	123.5	130.1	.....	−
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Pt'flio Fd	112.9	118.8	+0.3	−
Balanced Pt'flio Fd	299.0	314.9	+0.6	−
Cautious Pt'flio Fd	119.4	125.6	+0.2	−
Elite Fund	102.6	107.9	+0.5	−
European Fund	73.6	77.4	−0.2	−

Scottish Amicable

Skandia Life Assurance Co Ltd – Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Roxborough Financial Management Ltd

Rutland Insurance Broking & Inv Grp Ltd

Touche Remnant (Guernsey) Limited

CMI Insurance Co Ltd

JERSEY AUTHORISED

Capital House Fund Mgrs (CI) Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

IoM AUTHORISED

LUXEMBOURG AUTH'D

OTHER OFFSHORE FUNDS

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101¾	98⅞	Treas 9½pc Cnv 1989	99½	.....	9.54	12.10
98¼	95¾	Treas 3pc 1989	98¼	+⅛	3.05	9.81
102¾	98⅞	Treas 10½pc 1989	99⅜	.....	10.57	12.54
102	98⅞	Exch 10pc 1989	98⅞	.....	10.10	12.45
103⅞	98⅞	Exch 11pc 1989	99¼	+⅛	11.08	12.26
97⅞	94⅝	Treas 5pc 1986-89	96⅞	+⅛	5.16	9.96
104⅞	98⅝	Exch 10¼pcCv '89	99½	.....	10.30	10.92
107½	101¼	Treas 13pc 1990‡‡	101⅛	.....	12.83	11.37
104½	99⅛	Exch 11pc 1990‡‡	99¾	+⅛	11.03	11.30
107⅞	100¼	Exch. 12½pc 1990	101⅞xd	+⅛	12.35	11.34
93⅞	90⅞	Treas. 3pc 1990	92⅞	+⅛	3.23	9.50
99⅞	95⅞	Treas 8¼pc 1987-90‡‡	96⅞	–⅛	8.54	11.05
102½	95⅝	Treas. 8pc Cv 1990 ‡‡	98⅞	+⅛	8.09	8.90
103⅞	97¼	Treas. 10pcCv 1990	98⅝	+⅛	10.16	11.04
91⅞	87⅞	Exch 2½pc 1990	89⅞	+⅛	2.79	8.95
107¼	100⅞	Treas 11¾pc 1991	101⅞	+⅛	11.59	10.91
95⅞	89⅞	Funding 5¾pc '87-91‡‡	91⅞	+⅛	6.27	10.19
90⅞	86	Treas. 3pc 1991	88⅞	+⅛	3.39	8.82
105⅞	97⅞	Treas 10pc Cv '91 ‡‡	100⅞	+⅛	9.98	9.92
107⅞	98⅞	Exch. 11pc 1991	100⅞	+⅛	10.92	10.67
96⅞	91⅞	Treas. 8pc 1991	93⅞	+⅛	8.54	10.63
113⅞	103⅞	Treas 12¾pc 1992‡‡	105⅞	+⅛	12.04	10.37
104⅞	96⅝	Treas 10pc 1992	98⅞xd	+⅛	10.11	10.42
98⅞	91¼	Treas. 8pc 1992 ‡‡	93⅞	+⅛	8.55	10.43
106½	98⅞	Treas 10½pc Cv 1992‡‡	100⅞	+⅛	10.47	10.39
86⅞	81⅞	Treas. 3pc 1992	84⅞	–⅛	3.53	8.28
112⅞	102⅞	Exch. 12¼pc '92	105⅞xd	+⅛	11.63	10.42
117⅞	106⅞	Exch 13½pc 1992	109⅞xd	+⅛	12.37	10.37
97⅞	91	Treas 8¼pc 1993	93⅞xd	+⅛	8.82	10.25
105⅞	96⅞	Treas 10pc 1993‡‡	99½	+⅛	10.05	10.14
115⅞	105⅞	Treas 12½pc 1993‡‡	108½	+⅛	11.56	10.16
93⅞	85¼	Funding 6pc 1993‡‡	87½xd	+⅛	6.85	9.42
121⅞	110⅞	Treas 13¾pc 1993‡‡	113⅞	.....	12.15	10.18
101⅞	90⅞	Treas. 8½pc 1994	93⅞	+⅛	9.08	10.15

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988/89 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	40	.....	3.50	f8.75
45	39	Do. 6pc 28 Stb. Ass.	40	.....	3	f7.50
45	33	Do 4pc Mixed Ass.	40	.....	2	f5.00
80	63	Hung. '24 Ass.	80	.....	2.75	f3.57
140⅞	128⅞	Hydro Quebec 15pc 2011	139⅞	+⅞	15.00	10.38
131⅞	13⅞	Iceland 14½pc Ln 2016	128⅞	+⅞	14.50	11.13
101¼	37⅞	Ireland 9¾pc '91-96	97	.....	9.75	10.35

AMERICANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Yld Gr's
29½	22⅛	Abbott Laboratories	28¼xd	+¼	$1.20	–	2.4
649p	340p	Allegheny & W 1c	460p	+2	30c	–	3.6
15⅞	862p	Amax $1	14½xd	.....	40c	–	1.5
15⅞	8⅞	Amdahl 5c	11½xd	.....	h10c	–	0.5
31⅞	22	Amer. Cyanamid $5	28	+⅛	$1.20	–	2.4
18¼	11¼	Amer. Express 60c	17½	+½	84c	–	2.7
10⅝	668p	Amer. Medical Int. $1	963p	+40	472c	–	4.1
18⅛	13⅞	American T. & T. $1	17¾	+¼	$1.20	–	3.7
30	22⅞	Ameritech $1	29½	+⅛	h$2.92	–	5.5
19⅞	15⅞	Anheuser-Busch $1	19⅞xd	+⅛	72c	–	2.1
12⅛	3⅝	BankAmerica $1⅞	12	+⅛	–	–	–

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
19	14¾	USX $1	17⅝xd	+⅛	$1.40	—	4.3
154p	44p	♦Unilab	130p	....		—	—
26	17⅝	Utd. Technologies	25¼xd	+⅛	$1.60	—	3.5
163p	27p	♦Utilitech Inc.	138p	.....		—	—
35⅝	26¾	US West	34⅝	+⅛	$3.52	—	5.6
26¾	16⅞	Waste Management $1	24½	+¼	48c	—	1.1
16⅞	12⅞	Whirlpool $1	15⅛	+⅛	$1.10	—	4.0
20⅞	15¼	Whitman Corp	19¾	.....	96c	—	2.8
33¾	15¼	♦Woolworth $3½	29⅞	+⅛	$1.64	—	3.0

CANADIANS

1988/89 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	132p	♦ABM Gold Corp ‡	150p	−5	—	—	—
32p	4½p	♦Abbot Energy Corp	13p	+1	—	—	—
14¼	882p	♦Amer. Barrick Res.	11¼	+⅞	—	—	—
10p	2⅞p	♦Amer. Lightwave ‡	2½p	..	—	—	—
47p	7½p	♦Armeno	15½p	−1	—	—	—
76p	25p	♦Augmitto Expln	31½p	+½	—	—	—
14⅞	10⅝	Bk. Montreal ‡	14⅛	+⅛	$2.12	—	7.2
769p	514p	Bk. Nova Scot. ‡	718p	−3	84c	—	5.6
18¼	15¼	BCE ‡	18¼xd	...	$2.44	—	6.4
716p	527p	♦Bow Valley ‡	670p	−3	♦40c	—	2.9
14¼	10½	♦Brascan ‡	13⅝	+⅛	88c	—	[illegible]

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

For Manson Grp see Aitch Hldgs

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Gr's	P/E
[illegible]								
60	33	Propeller 1p y	48	+1	—	—	—	23.2
65	56	Rentaminster 5p y	63	.....	F2.0	4.3	4.2	14.7
237	150	Royal Sovereign 10p y	195	.....	†4.6	1.9	3.1	18.2
26	20	Scott Pickford 10p y	20½	.....	3.1	0.7	20.2	10.6
116	68	Seacon Hldgs y	113	.....	Z1.0	—	1.2	—
15½	7	Sonic Tape 2½p y	10½	+½	n—	—	—	13.8
27	15	Stals Hldgs. 5p y	15	.....	—	—	—	17.8
*4½	1¼	Swanyard Studios 1p y	2¼	.....	—	—	—	♦
360	200	Takare y	335	.....	bL0	8.1	0.4	34.4
36	26	Tomorrows Leisure 20p y	32	.....	—	—	—	15.9
25	13½	Tullow Oil 10p y	16½	−½	—	—	—	—
135	100	UPL Group 10p y	101	.....	L2.41	4.3	3.2	13.7
182	120	Unit Group y	145	.....	F7.5	2.9	6.9	8.2
17½	12½	Whitegate Leisure 20p y	15½	.....	—	—	—	—
13½	6	Do. Wrnts y	13	−½	—	—	—	—
6½	2	Wilton Group 1p y	5	−½	—	—	—	—

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
¤ Not officially listed.
Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♠ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p y	88	+3
Craig & Rose £1 y	710	.....
Finlay Pkg 5p y	89	.....
Holt (Jos) 25p y	1230	.....

IRISH

Cap. 8½% Ln. 1991	£99⅞	.....
9pc Cap Ln. 1996	£100	.....
Fin. 13% 97/02	£121	.....
Arnotts	428	−55
Carrol (P.J.) y	158	−1
Hall (R. & H.)	175	+3
Heiton Hldgs y	70xd	−1
Irish Ropes	180	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	48
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	98
Grand Met.	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intal	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	43
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling up from weak start

Sterling recovered from a weak start in currency markets yesterday, gaining strength from a decision by the West German Bundesbank to leave its key lending rates unchanged. Confidence in the pound was undermined at the start by fears of a rise in German rates and a consequent erosion in sterling's favourable interest rate differential.

The pound derived further support from UK economic data released yesterday, suggesting no early fall in UK interest rates. January unemployment showed a fall of 49,300, implying a sustained growth in the economy, while December average earnings rose by 8.75 per cent, unchanged from November. But a rise in unit wage costs of 1.0 per cent in the three months to December underlined the need to keep monetary policy tight.

Sterling's recovery pushed its exchange rate index up to 98.0 at the close, a sharp improvement from 97.5 at the opening, but unchanged from the close on Wednesday. Attention is now likely to focus on the release today of January retail prices data. Analysts expect an increase in the annual rate of inflation from 6.8 per cent in December to nearer 7.5 per cent for January.

Sterling closed at $1.7710 from $1.7735 and DM3.2625 compared with DM3.2700. It was also lower against the yen at Y223.75 from Y224.25. Elsewhere, it finished at SFr2.7725 from SFr2.7750 and FFr11.0950 against FFr11.1300.

The dollar was supported by unchanged German interest rates. Trading was confined to a narrow range for much of the day as investors retreated to the sidelines ahead of US trade data for December, due for release today. Volume is also likely to be inhibited by the closure of all US financial centres on Monday for Presidents Day.

The US unit finished towards the top of its narrow range, deriving support from a larger than expected increase in January housing starts. Interest rates remain firm, providing the dollar with a stronger undertone. The apparent difference in emphasis on inflation between President Bush and the Federal Reserve appears to have been put to one side in the market, at least for the time being.

The dollar closed at DM1.8425 from DM1.8440 and Y126.30 compared with Y126.40. Elsewhere, it finished at SFr1.5650 from SFr1.5640 and FFr6.2650 from FFr6.2750. On *Bank of England figures*, the dollar's exchange rate index rose to 66.6 from 66.4.

The Australian dollar fell sharply following the release of January trade figures. These showed a record A$1.54bn deficit - around double market expectations. The dollar fell to a low of 84.50 US cents in Sydney; after a steadier start in London, it fell away to close at 84.32, down sharply from 87.45 at the close in London on Wednesday.

The D-Mark finished on a weak note. Its decline against the dollar was accelerated by comments from Mr Helmut Schlesinger, vice-president of the Bundesbank, when he stressed that there is unlikely to be any need for a global interest rate spiral.

£ IN NEW YORK

Feb 16	Latest	Previous Close
£ Spot	1.7695-1.7705	1.7740-1.7845
1 month	0.48-0.47pm	0.46-0.45pm
3 months	1.39-1.36pm	1.35-1.33pm
12 months	3.72-3.65pm	3.76-3.68pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb 16	Previous
8.30 am	97.5	98.0
9.00 am	97.6	97.9
10.00 am	97.7	97.9
11.00 am	97.8	98.0
Noon	97.9	97.8
1.00 pm	97.8	97.9
2.00 pm	97.9	97.9
3.00 pm	97.9	97.9
4.00 pm	98.0	98.0

CURRENCY RATES

Feb 16	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.747587	0.639141
U.S Dollar	6.50	1.32308	1.12904
Canadian $	11.54	1.56163	1.33509
Austrian Sch.	4	17.1577	14.5697
Belgian Franc	7.75	51.1073	43.7165
Danish Krone	7½	9.48119	8.11274
Deutsche Mark	4	2.43630	2.08546
Neth Guilder	5.00	2.75201	2.35394
French Franc	9½	8.30431	7.09999
Italian Lira	12½	N/A	1525.05
Japanese Yen	2½	166.708	142.937
Norway Krone	8	8.82627	7.56290
Spanish Peseta	-	151.461	129.840
Swedish Krona	8½	8.29969	7.11862
Swiss Franc	4	2.07128	1.76808
Greek Drach.	20½	9.48119	174.290
Irish Punt	-	N/A	0.781994

*All SDR rates are for Feb.15

CURRENCY MOVEMENTS

Feb.16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	98.0	-14.0
U.S Dollar	66.6	-12.2
Canadian Dollar	102.5	-0.1
Austrian Schilling	106.3	+9.5
Belgian Franc	105.5	-6.5
Danish Krone	102.8	-2.1
Deutsche Mark	112.4	+20.1
Swiss Franc	108.4	+17.9
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb.15.

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.7165	+2.96	+0.91	±1.5344
Danish Krone	7.85212	8.11274	+3.32	+1.27	±1.5404
German D-Mark	2.05853	2.08546	+1.31	-0.74	±1.0981
French Franc	6.90403	7.09999	+2.84	+0.79	±1.3674
Dutch Guilder	2.31943	2.35394	+1.49	-0.56	±1.5012
Irish Punt	0.768411	0.781994	+1.77	-0.28	±1.6684
Italian Lira	1483.58	1525.05	+2.80	+1.52	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7620 - 1.7730	1.7705 - 1.7715	0.47-0.44cpm	3.08	1.35-1.30pm	2.99
Canada	2.0805 - 2.0995	2.0970 - 2.0980	0.31-0.18cpm	1.40	0.71-0.52pm	1.17
Netherlands	3.66¼ - 3.68¼	3.67¼ - 3.68¼	1¾-1⅝cpm	5.50	5⅜-5¼pm	5.70
Belgium	67.95 - 68.60	68.50 - 68.60	30-25cpm	4.81	84-75pm	4.64
Denmark	12.65 - 12.72½	12.71 - 12.72	5¼-4⅝orepm	4.60	15-13⅞pm	4.54
Ireland	1.2180 - 1.2255	1.2230 - 1.2240	0.55-0.50ppm	5.15	1.50-1.40pm	4.74
W Germany	3.25 - 3.26¾	3.26 - 3.26½	1⅝-1½pfpm	5.75	5-4¾pm	5.98
Portugal	266.25 - 268.75	267.70 - 268.70	49-11cpm	1.34	110-18pm	0.95
Spain	202.45 - 206.00	202.85 - 203.15	10-2cpm	0.35	30-parpm	0.30
Italy	2384 - 2391¼	2384½ - 2385½	3-2lirepm	1.26	7-4pm	0.92
Norway	11.80 - 11.86¼	11.85¼ - 11.86¼	1⅝-1¼orepm	1.45	5¼-4¾pm	1.69
France	11.06¾ - 11.12¼	11.09 - 11.10	3¼-3¼cpm	3.45	9¾-9½pm	3.47
Sweden	11.09¾ - 11.17½	11.16½ - 11.17½	1⅞-1⅝orepm	1.88	6⅝-6⅛pm	2.28
Japan	223¼ - 224¼	223¼ - 224¼	1⅝-1½ypm	8.38	4½-4⅜pm	7.93
Austria	22.89 - 22.98	22.91 - 22.94	12-11gropm	6.02	36½-34½pm	6.17
Switzerland	2.75¼ - 2.77¼	2.76¾ - 2.77¾	1⅝-1½cpm	6.76	5-4¾pm	7.03

Belgian rate is convertible francs. Financial franc 68.75-68.85. Six-month forward dollar 2.44-2.39cpm 12 months 3.78-3.68cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7620 - 1.7730	1.7705 - 1.7715	0.47-0.44cpm	3.08	1.35-1.30pm	2.99
Ireland†	1.4415 - 1.4500	1.4445 - 1.4455	0.25-0.30cdis	-2.28	0.70-0.80dis	-2.08
Canada	1.1780 - 1.1840	1.1825 - 1.1835	0.14-0.19cdis	-1.67	0.52-0.59dis	-1.88
Netherlands	2.0770 - 2.0875	2.0795 - 2.0805	0.43-0.40cpm	4.21	1.44-1.40pm	4.80
Belgium	38.55 - 38.75	38.65 - 38.75	6.50-5.00cpm	1.01	18.00-15.00pm	0.96
Denmark	7.16 - 7.19	7.17¾ - 7.18¼	1.05-0.75orepm	1.51	2.95-2.55pm	1.53
W Germany	1.8400 - 1.8490	1.8420 - 1.8430	0.43-0.40pfpm	2.70	1.39-1.34pm	2.96
Portugal	151 - 151¾	151 - 151¼	12-32cdis	-1.74	55-105dis	-2.11
Spain	114.50 - 116.05	114.90 - 115.00	26-31cdis	-2.98	84-93dis	-3.06
Italy	1346¼ - 1353½	1346¼ - 1347¼	2.00-2.60liredis	-2.05	7.10-7.90dis	-2.23
Norway	6.67½ - 6.70¼	6.69½ - 6.70	0.75-1.00oredis	-1.57	2.10-2.40dis	-1.34
France	6.26¼ - 6.29¼	6.26¼ - 6.26¾	0.25-0.20cpm	0.43	0.85-0.75pm	0.51
Sweden	6.28 - 6.32	6.30½ - 6.31	0.55-0.75oredis	-1.24	1.20-1.50dis	-0.86
Japan	126.15 - 126.65	126.25 - 126.35	0.54-0.52ypm	5.03	1.60-1.57pm	5.02
Austria	12.94¾ - 13.00	12.96½ - 12.97	3.30-2.80gropm	2.83	10.80-9.30pm	3.10
Switzerland	1.5615 - 1.5685	1.5645 - 1.5655	0.47-0.44cpm	3.49	1.49-1.45pm	2.48

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.80-38.90.

EURO-CURRENCY INTEREST RATES

Feb.16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13-12⅞	13-12⅞	13⅛-12⅞	13⅛-12⅞	12⅞-12¾	12⅞-12⅝
US Dollar	9¼-9⅛	9⅜-9¼	9½-9⅜	9¾-9⅝	9⅞-9¾	10⅛-10
Can. Dollar	11¼-10⅞	11-10⅞	11¼-11	11⅜-11¼	11½-11⅜	12-11¾
D Guilder	6½-6⅜	6½-6⅜	6¾-6⅝	6⅞-6¾	6⅞-6¾	7-6⅞
Sw Franc	5¾-5⅝	5⅞-5¾	5⅞-5¾	5⅞-5¾	5⅞-5¾	6-5⅞
Deutschmark	6¼-6⅛	6¼-6⅛	6⅜-6¼	6⅝-6½	6¾-6⅝	6⅞-6¾
Fr. Franc	8⅞-8¾	8¾-8⅝	9⅛-8⅞	9¼-9⅛	9⅜-9¼	9⅝-9½
Italian Lire	11-9	11½-10½	11⅜-11⅛	12⅛-11⅞	12⅛-12⅛	12¼-12⅛
B. Fr. (Fin)	6⅞-6⅝	7⅜-7⅛	7⅞-7⅝	8¼-8⅛	8¼-8⅛	8⅜-8¼
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 10¼-10⅛ per cent; three years 10¼-10⅛ per cent; four years 10¼-10⅛ per cent; five years 10¼-10⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Bundesbank boosts prices

ACTIVITY HAS turned away from March short sterling futures on Liffe, as traders have become resigned to a period of unchanged bank base rate beyond delivery of the contract on March 15. Turnover in *June short sterling* was over 2½ times that in March yesterday.

The June contract opened weaker, but rallied on news that the Bundesbank had left key West German interest rates unchanged at yesterday's council meeting. It finished at 87.70, against 87.65 previously. German Government bond futures also picked up on this news, to close just below the day's peak, at 94.30 for March delivery, compared with 94.09 on Wednesday.

Traders in short sterling remained concerned about inflation in the UK, ahead of today's retail prices index for January. This is expected to show a sharp rise. The announcement of an unchanged increase of 8.75 per cent in the underlying level of UK average earnings was well received, but dealers suggested that the gap between the underlying rate and the actual pay settlements figure of 10.9 per cent was causing some concern, and beginning to strain credulity.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

[illegible]

7-10 YEAR 9% NOTIONAL GILT

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]

THREE MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE MONTH EURODOLLAR

[illegible]

US TREASURY BONDS 8%

[illegible]

6% NOTIONAL GERMAN GOVT. BOND

[illegible]

POUND-$ (FOREIGN EXCHANGE)

[illegible]

DM-STERLING

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

SWISS FRANC (IMM)

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

Series	Strike	Vol	Last	Vol	Last	Vol	Last	Stock
ROYAL DUTCH C	Fl. 125	652	2.40	217	3.30	20	5.40 B	Fl. 122.50
ROYAL DUTCH P	Fl. 125	293	3.70	26	6.30	-	-	Fl. 122.50
UNILEVER C	Fl. 130	431	4.40	235	6	12	8	Fl. 130.40
UNILEVER P	Fl. 130	84	3.20	61	5.80	7	7.70	Fl. 130.40
VAN OMMEREN C	Fl. 40	49	0.90	25	1.50	110	2.20	Fl. 37.20
WESSANEN P	Fl. 75	30	0.90	15	1.90	-	-	Fl. 79.40

TOTAL VOLUME IN CONTRACTS : 40334
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

A clearer picture

THE INTEREST rate picture became a little clearer yesterday, with the US Federal Reserve continuing to tighten short term credit conditions in New York and the West German Bundesbank leaving its monetary policy unchanged at yesterday's council meeting.

In London three-month sterling interbank eased to 13-12¾ per cent from 13⅛-12⅞ per cent on the Bundesbank's decision to leave key German rates unchanged. An unchanged 8.75 per cent rise in the underlying rise of UK average earnings came as something of a relief, following forecasts of a rise to 9 per cent, *but the market remains* nervous about the inflationary picture, amid speculation that today's UK retail prices index for January will show a rise of 7.3 to 7.5 per cent, against 6.8 per cent in December.

In New York the Fed drained funds from the banking system, via five-day matched sales, when Federal funds were trading at 9⅜ per cent, leading to suggestions the central bank intends to drive the rate up to 9½ per cent.

In Paris the news from Germany enabled the Bank of France to leave its money market intervention rate at 8.25 per cent at yesterday's securities repurchase agreement tender.

The Bank of England forecast a money market credit shortage of £950m in London, and provided total assistance of £831m.

An early round of help was offered and at that time the Bank of England bought £527m bills, including £407m outright, by way of £181m bank bills in band 1 at 12⅞ per cent; £199m bank bills in band 2 at 12¾ per cent; £23m bank bills in band 3 at 12½ per cent; and £4m bank bills in band 4 at 12⅝ per cent. At the same time £120m bills were purchased, for resale to the market on February 22, at 12⅞ per cent.

Before lunch another £125m bills were bought outright, via £53m bank bills in band 1 at 12⅞ per cent and £72m bank bills in band 2 at 12¾ per cent.

In the afternoon the authorities bought £99m bills outright, through £30m bank bills in band 1 at 12⅞ per cent and £69m bank bills in band 2 at 12¾ per cent. Late assistance of £80m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,101m, with a rise in the note circulation absorbing £60m and bank balances below target £30m. These factors outweighed Exchequer transactions adding £240m to liquidity.

UK clearing bank base lending rate
13 per cent
from November 25

FT LONDON INTERBANK FIXING

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

[illegible]

CROSSWORD

No. 6,863 Set by DANTE

ACROSS

1 The agent admits the general is lethargic (6)
4 Girl given a hand out on the balcony (8)
10 Look in public transport for what women wear (7)
11 Ought Chinese capital to be right at this time of year? (7)
12 I'm half a day with a Moslem leader (4)
13 Shares exist in false teeth (10)
15 Hang around and see it return again (6)
16 Party bill goes out – it's about time (7)
20 Encountered Rose going about with eccentric travellers (7)
21 Strain – a trifle unexpected? (6)
24 Cost in cafe outrageous – get take-away (10)
26 Church and nest builder (4)
28 Ends an interim arrangement (7)
29 Master takes female, fifty, in marriage (7)
30 A number with a preference for a charwoman's job (8)
31 Find company in one churchman or another (6)

DOWN

1 It is included in ingenious aid for the deaf (8)
2 Bringing out a note-case (9)
3 Examination success for soft-headed dunce (4)
5 Private escort that is organised (8)
6 Direct opposite of a scholarly exercise? (10)
7 Exclude use of foreign lawyers (5)
8 Sarah's turn to worry (6)
9 Result of test matches or match tests (5)
14 It's one live form of broadcasting (10)
17 Pole position? (9)
18 A bit vulgar, perhaps? (8)
19 Open nothing up for him (8)
22 Acid liable to tie a couple of hundred in knots (6)
23 Pound postage (5)
25 Outstanding feature about the King of Norway? (5)
27 Prompt action? (4)

Solution to Puzzle No.6,862

JOTTER PAD

COMPANY NOTICES

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Banking Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices February 16

9035 RyTrco A	$17¼	17	17	− ⅛
9800 SHL Syst	$8¾	8⅝	8¾	+ ⅛
500 SNC A f	$8¼	8⅛	8⅛	− ⅜
500 StL CemA f	$16⅛	16¼	16⅛	
15296 Samuel MT	$16¾	16¾	16¾	− ¼
49600 Saskoil	$9½	9⅜	9½	+ ⅛
38200 Sceptre	405	385	405	+ 30
500 Scot Paper	$18½	18½	18½	− ¼
2300 Scotts f	$13¾	13⅝	13⅝	− ¼

MONTREAL
4pm prices February 16

4817	DomTxtA	$15¾	15¾	15¾	− ⅛
2216	MnlTrst	$17½	17¼	17½	
48988	NatBk Cda	$13⅛	12⅞	12⅞	
15036	Noverco	$11⅝	11½	11⅝	− ⅛
34380	Power Corp	$15¼	14⅞	15	
47348	Provigo	$10⅝	10½	10½	− ⅛
50578	Royal Bank	$38⅝	38¼	38¼	− ¼
1950	SteinbrgA	$33½	33⅛	33⅛	− ⅛
28588	Videotron	$16½	16	16⅛	− ⅛

Total Sales 55,431,232 shares.

INDICES

NEW YORK — DOW JONES

	Feb 16	Feb 15	Feb 14	Feb 13	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
‡Industrials	2311.43	2303.93	2281.25	2282.50	2342.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.80	88.94	89.02	89.11	91.25	86.12		
Transport	1079.24	1075.36	1062.10	1068.08	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.17	186.52	186.05	187.11	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

Day's High 2326.07 (2309.64) Low 2293.04 (2275.71)

STANDARD AND POOR'S	Feb 16	Feb 15	Feb 14	Feb 13	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite‡	294.81	294.24	292.81	292.54	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	340.49	339.84	336.74	337.39	346.41 (7/2/89)	277.96 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.89	26.80	26.57	26.65	27.24 (7/2/89)	21.51 (6/1/88)	32.63 (25/8/87)	8.64 (1/10/74)
NYSE Composite	165.51	165.21	163.94	164.15	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	325.15	325.21	322.96	321.76	327.23 (7/2/89)	262.76 (20/1/88)	365.01 (14/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	405.70	404.17	402.02	401.27	409.19 (7/2/89)	331.97 (12/1/88)	455.26 (26/8/87)	54.87 (31/10/72)

	Feb 10	Feb 3	Jan 27	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.45	3.46	3.48

	Feb 15	Feb 8	Feb 1	year ago (approx.)
S & P Industrial div. yield	3.13	3.05	3.05	3.05
S & P Indl. P/E ratio	13.63	13.85	13.79	16.54

TRADING ACTIVITY † Volume

Millions	Feb 16	Feb 15	Feb 14
New York	177.458	154.220	149.560
Amex	12.010	10.860	9.980
OTC	(u)	123.178	132.876

NEW YORK	Feb 16	Feb 15	Feb 14
Issues Traded	1,939	1,951	1,939
Rises	805	888	771
Falls	599	550	663
Unchanged	535	513	505
New Highs	61	55	32
New Lows	12	20	16

CANADA

TORONTO	Feb 16	Feb 15	Feb 14	Feb 13	1988/89 High	1988/89 Low
Metals & Minerals	3414.6	3397.4	3419.7	3400.8	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3606.7	3609.9	3629.7	3589.7	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1793.31	1794.26	1791.42	1784.47	1850.44 (8/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
FPL Group	8,399,100	31½	+ ⅛
Church Chl	5,694,400	10⅛	+ 1¼
Union Carbide	3,447,700	32⅝	+ ⅛
Kty Util	3,177,200	18⅝	---
Wendy's	2,796,800	6½	+ ⅝
Niag Mohak	2,790,600	12	---
Houston Inds	2,063,700	27¾	+ ⅛
Zenith	2,038,700	21½	+ 1⅜
Burlington	2,003,400	49⅞	− 1
Navistar	1,624,200	6⅛	---

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD INDICES

	Feb. 16	Feb. 15	Feb. 14	Feb. 13	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1451.0	1479.0	1486.6	1478.8	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	654.6	671.3	673.5	670.5	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	239.33	239.22	239.16	238.89	239.33 (16/2/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5789.14	5799.66	5821.33	5825.26	5834.01 (10/2/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	(u)	290.25	291.04	291.12	291.83 (10/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	782.4	782.0	782.4	776.4	782.4 (14/2/89)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	440.4	442.8	447.1	449.4	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	103.6	102.9	104.3	105.0	108.1 (3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	557.52	558.11	561.98	562.49	569.27 (8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1663.5	1662.5	1678.4	1680.2	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1317.91	1317.32	1331.47	1333.77	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3081.14	3100.87	3099.97	3153.73	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	583.12	579.45	578.72	577.67	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	32083.58	32149.48	31982.89	31985.3	32149.48 (15/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2468.19	2475.71	2473.46	2478.82	2490.07 (8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	303.7	302.4	305.3	304.4	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	264.9	263.6	266.1	267.0	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	553.84	539.77	537.91	534.04	553.84 (16/2/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1129.83	1122.56	1120.17	1139.70	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1291.0	1309.0	1324.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	(u)	2186.0	2185.0	2207.0	2246.0 (9/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	274.35	274.90	275.61	277.42	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3648.7	3634.5	3642.6	3629.8	3657.4 (10/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	647.9	(u)	647.6	644.4	647.9 (16/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	518.9	513.8	511.1	518.9 (15/2/89)	401.0 (21/1/88)

‡Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 16 February 1988

	Stocks Traded	Closing Prices	Change on day
Taisei	74.9m	1,630	+10
Nippon Oil	57.8m	1,830	+50
Nippon Yusen	53.7m	986	+7
Shimizu	47.8m	1,980	+50
Obbayashi Corp	46.1m	1,550	+50
Sumitomo Metal	44.9m	608	+11
Kumagai Gumi	43.0m	1,580	-20
Hitachi Zosen	38.7m	725	+30
Asahi Chemical	38.2m	1,330	+30
Mitsubishi Corp	37.9m	1,700	+120

4pm prices February 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
29½	19¾	AAR	.44	1.7	18	290	26⅜	26¼	26¼	
10⅛	8⅞	ACM n	1.01	11.		322	9	8⅞	9	
12⅛	10¼	ACMIn	1.26a	12.		509	11	10⅞	10⅞	
10⅛	8½	ACM M n	1.01	11.		80	9⅜	9¼	9¼	
12½	10½	ACM Sc	1.26	12.		1665	10⅞	10¾	10¾	
10⅛	8½	ACMSp n	.75e	8.5		590	8⅞	8¾	8⅞	
6⅛	3⅞	AM Intl				1074	5⅞	5⅝	5⅝	
23⅛	18⅛	AM Int pf	2	8.7		250	23	22⅞	23	+ ⅛
62¼	35¼	AMR			6	1834	60½	59⅝	60	
9½	5	ARX				31	5¼	5⅛	5⅛	- ⅛
48¾	35¼	ASA	3a	7.6		628	40	39½	39⅝	- ⅛
20¼	14¼	AVX	.24	1.3	9	240	18	17¾	17⅞	+ ⅛
52⅞	42⅞	AbtLab	1.20	2.4	15	6620	50¾	50¼	50½	+ ⅝
20⅜	15⅞	Abitibi g	1			254	17¾	17½	17½	+ ¼
13⅞	7½	AcmeC	.40	3.6		189	11¼	11⅛	11⅛	+ ⅛
8⅞	5⅞	AcmeE	.32b	5.2	22	19	6¼	6⅛	6⅛	
29½	18¾	Acusn			24	401	27⅞	27	27⅞	+ ⅛
17	14½	AdaEx	1.82e	12.		157	15	14⅞	15	
16⅞	7⅛	AMD			78	2232	8¾	8⅝	8⅝	- ⅛
43½	28⅛	AMD pf	3	9.4		4	32⅛	32	32	
9½	5⅞	Adobe				130	8	7⅞	7⅞	+ ⅛
18½	16½	Adob pf	1.84	10.		9	17⅞	17⅞	17⅞	
21¾	20	Adob pf	2.40	12.		1	20⅝	20⅝	20⅝	- ⅛
9¾	5⅝	Advest	.12	1.5	17	81	8⅜	8¼	8⅜	
52½	39½	AetnLf	2.76	5.5	8	1626	50⅝	50¼	50½	+ ⅛
44½	24	AfilPb s	.22	.6		515	40¼	39⅞	40	
18¾	13¾	Ahmans	.88	5.0	9	2490	17⅞	17½	17⅝	+ ⅛
4⅝	1⅞	Alleen			20	97	3⅞	3⅜	3⅞	- ⅛

Continued on Page 43

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
50¾	46	Xerox pfA.75		9.0		3	46½	46	46	−1
44⅛	28⅞	XTRA	.72	1.8	14	48	39⅞	39⅜	39½	− ⅛
3⅞	2	Zapata	-			617	2⅝	2½	2½	− ⅛
27⅛	18⅛	Zayre	.40	1.6	169	1252	25⅝	25⅛	25⅜	− ¼
15½	10	Zemex	.40	3.5	24	5	11½	11⅜	11⅜	
30	15⅝	ZenithE				20357	21⅞	20½	21⅞	+1⅛
10⅞	8⅞	Zenin n	.69e	7.3		144	9⅝	9⅜	9½	
3	1	vjZenLb				1166	2⅛	1⅞	2⅛	+ ⅛
21⅝	16	ZeroNt	.80b	4.4	9	193	18½	18⅜	18⅜	− ⅛
19⅞	13	Zero	.44	2.3	15	262	19⅜	19	19	− ⅞
29⅛	19	Zurnin	.68	2.6	15	437	27	26	26	− ¾
11¼	9⅛	Zweig	1.06e	10.		387	10½	10⅜	10⅜	
10⅛	9	ZweigT	n.24e	2.6		876	9⅛	9⅛	9⅛	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices February 16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pread A	.10		27	5	4¾	5	
PresCm		1	80	7⅜	7½	7⅝	
ProMed	.42		9	3⅝	3½	3½	− ⅛
ProtCre		8	88	3⅝	3¼	3¼	− ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices February 16

FINANCIAL TIMES Friday February 17 1989

AMERICA

Absence of overseas rate increases helps Dow rise

Wall Street

HELPED by the lack of interest rate rises overseas, another modest rally in the bond market and its own recent recovery from the doldrums, the stock market managed modest gains again yesterday, *writes Janet Bush in New York.*

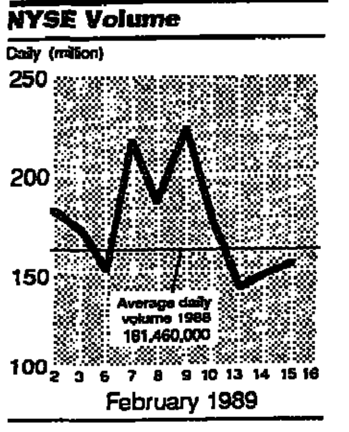
The Dow Jones Industrial Average ended off its highs, quoted 7.50 points up at 2,311.43.

The market's strength on Wednesday was based mostly on its oversold condition after falling in nine out of the previous 10 sessions. The most convincing rally was in large capitalisation stocks concentrated in the Dow Jones blue chip index.

Some encouragement was derived from the Dow's ability on Wednesday to close above 2,300 – a level that has proved to be something of an impediment of late, as it had been earlier this year.

Nr Newton Zinder, technical strategist at Shearson Lehman Hutton, noted that there were some question marks left after the rally. The Dow was up by more than twice as much as the Value Line Composite Index, showing that the advance was confined to large capitalised issues. Also, indicators of breadth have not been particularly encouraging and most indices stalled below their peaks early on Tuesday until the final hour.

Nevertheless, he commented: "Even so, a 22-point DJIA advance, with prices finishing near their highs of the day in a market that is supposedly in a consolidation phase, is still a good showing."



There were encouraging influences as well as reasons to be cautious yesterday. On the positive side was a modest rebound in the dollar after the West German Bundesbank confounded expectations by deciding not to raise either the discount or Lombard rates. Although European analysts believe Germany will move its rates soon, this helped the dollar temporarily and lifted bonds.

Both equities and bonds came off their highs as the dollar slid back towards its lows in afternoon trading.

A potentially negative factor was a huge 8 per cent jump in January housing starts compared with expectations of an advance of 3.7 per cent. However, the figures did not have much impact because mild weather last month has boosted economic activity all round.

A clear reason to be cautious was the approach of today's trade figures. The consensus of forecasts suggests a narrowing in the deficit in December to about $11.5bn from $12.51bn in November on a cost, insurance, freight basis.

Among featured stocks was Merck, which added $¾ to $64¾ after a paper was published by scientists at the company saying they had identified a promising strategy to defuse the virus that causes AIDS.

Envirodyne Industries jumped $4¼ to $37¼ in heavy trading on the over-the-counter market after news of a $38-a-share takeover proposal from Mr Donald Kelly, the investor, and Salomon Brothers. Artra Group, which already owns a 26.3 per cent stake and wants to participate in the offer, gained $4½ to $34¼ on the New York Stock Exchange.

Tambrands added $2⅝ to $65⅛ on continuing takeover rumours.

Among companies announcing results, Norsk Hydro's shares traded on the NYSE rose $1⅝ to $22⅝ after reporting a 64 per cent increase in its 1988 earnings from a year ago.

Canada

INVESTORS stayed on the sidelines before the US trade report due today and Toronto share prices lost earlier gains to close slightly lower in quiet trading.

The composite index, which had gained about 5 points in earlier trading, slid 3.2 to 3,606.7 on light volume of 22.4m shares.

Italian monthly account limps into action

Investors, beset by political fears, are failing to act con brio, writes Alison Maitland

THE NEW Italian monthly account began cautiously yesterday, with share prices edging higher in subdued trading.

There was little of the *brio* that often marks the start of an account, when the prospect of settlement a comfortable six weeks away can send prices up sharply in high volume.

But then investors in Italian equities have a right to feel bruised and confused. The last account is one that many would probably like to forget.

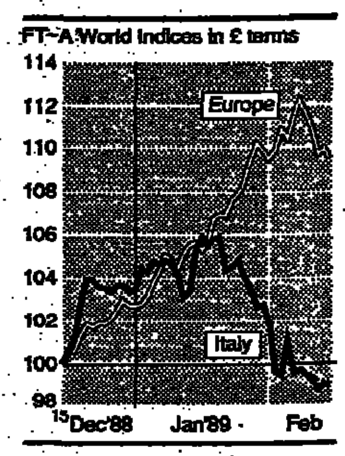
Expectations of a smooth political ride were dashed soon after the account began on January 16 and the Comit index closed the trading month on Wednesday with a 3.5 per cent fall. Italy has been languishing at the bottom of the world league this year, while other European markets have at worst been standing still and at best surging forward.

Disillusionment set in over the Government's tax concessions to the unions last month aimed at preventing a threatened general strike. Division within the ruling coalition over the deal and concern that a proposed capital gains tax would be harsher than expected set off a round of selling.

Results from Fiat – described by one analyst as "stunning" – proved of no avail to the share price or the market when released in late January; nor did the launch of trading in six Italian stocks on London's Seaq International system. Fiat ended the month 5.6 per cent lower and the other leaders, Generali and Montedison, were down 3.9 per cent and 5.7 per cent respectively.

To judge by yesterday's performance, the market is uncertain whether the March account will be any more cheerful. The first hurdle is the Christian Democrat congress, which starts tomorrow and should determine whether Mr Ciriaco De Mita, the Prime Minister, retains the support of the different factions within the party, even if he loses the party leadership.

Then there is a question mark over whether proposals for tough spending restrictions on health, social security, public sector wages and the railways will be put into effect to curb the huge budget deficit.



Mr Roberto Morelli, Italian analyst at County NatWest WoodMac, sees a big shift in public perception of the Government. "They have gone from being relatively successful to being a very weak Government, where political expediency has taken the lead over sound economic judgment."

Moreover, the market is likely to be sensitive to the January balance of payments figures, which are due in the next few days, given the disappointment over December's L2,042bn ($1.5bn) deficit. "There's nothing concrete I can see that would make me feel more confident about this account than the one we've left behind," he says.

Brokers Robert Fleming are also bearish, expecting the bourse's poor performance to continue. "It is not simply a problem of the political difficulties depressing market participants," says Flemings Research in its latest European digest. "Rather, the political situation has direct effects on fiscal policy which in turn affects public debt and interest rates and, as a result, the potential flow of funds on to the equity market."

Italy does, nevertheless, have its staunch defenders. Mr Enrico Ponzone of Kleinwort Benson believes that strong economic growth, high institutional liquidity, full order books and good 1988 corporate news – which should filter out this month and next – are powerful arguments for a rally in a market that is looking oversold. "It's as if you were compressing a spring. When it turns round, the market is going to really jump back up very, very sharply," he says. Any positive announcement, such as an outbreak of unity in the Christian Democrat party, could set that rally off.

At Milan brokerage house Albertini, analyst Mr Fabio Ferrando puts himself squarely in the middle. He thinks the market has discounted a lot of the bad news already, but not a full-blown political crisis – which he regards as remote. On the positive side, company results should give the market a psychological boost.

"There are some problems to be solved," he concludes. "If they're solved or we see signs they might be solved, then I would buy."

EUROPE

Bundesbank inaction receives mixed reviews

THE decision by the West German Bundesbank not to raise interest rates received a mixed response in European equity markets; Frankfurt fell but Paris was pleased and ended higher, *writes Our Markets Staff.*

FRANKFURT was disappointed by the absence of action on interest rates at the Bundesbank council meeting, having been waiting in nervous anticipation of a rise all week. "We're now in no man's land for another two weeks until the next Bundesbank meeting, and at the moment two weeks is a long time in economic politics," said one analyst.

The session started more optimistically following Wall Street's strong overnight gains. But the Bundesbank's decision not to move on interest rates sent shares scurrying from the session highs and the dollar's subsequent rise against the D-Mark did little to reassure investors.

The FAZ index eased 0.59 to 557.52 at midsession and the DAX closed just 0.59 higher at 1,317.91. Turnover remained modest at DM3.56bn.

The focus of attention today will be the US trade figures for December, which appear to have been preoccupying investors in Europe more than those in the US.

There were again few features, with the exception of Dresdner Bank, up DM3.50 at DM310.50 on the day's second most active trading, and insurer Allianz, which fell DM10 to DM1,5113. There were rumours that Allianz might be increasing its stake in Dresdner – currently less than 25 per cent – to more than 50 per cent. Interest was also reported from Switzerland in options on Dresdner Bank, and this may have been responsible for talk of stake-building by a Swiss bank.

An Allianz spokeswoman said that a news conference on March 1 might reveal some information concerning rumours of a link-up with Dresdner.

Motor group Daimler was up DM5 at DM663.50. The company said it had held initial talks with British Aerospace on possible co-operation in aircraft making and defence activities.

PARIS responded positively to news that the French intervention rate would remain unchanged after the Bundesbank decided against an interest rate rise. Corporate news came to the fore, bargain hunters appeared and share prices ended higher.

A note of caution did remain, however, given the run-up to the release today of the US trade figures, and the approach of the end of the account on Monday. The CAC 40 index put on 11.90 to 1,627.22 and the OMF 50 index rose 3.37 to 458.75. Volumes were estimated at a low FFr2bn.

Skis Rossignol, the world's leading alpine ski manufacturer, saw the day's largest gain, rising FFr69, or 7 per cent, to FFr1,059. The stock had been on a downward slope of late – hit partly by the lack of snow in Europe – and was liable to large movements in low volumes, one salesman said.

Peugeot was a feature again, closing up FFr21 at FFr1,592, helped by news that it had overtaken VW for second place in terms of European car sales last month.

Cheese producers were hit by worries about possible lost sales from the British controversy over soft cheeses. Bongrain fell FFr80 to FFr2,830 and Fromageries Bel dropped FFr25 to FFr1,700.

AMSTERDAM was prey to the same interest rate limbo as Frankfurt for most of the day, although Wall Street's early strength helped the market close higher, with the CBS tendency index up 0.9 at 163.2. Turnover was a subdued Fl 263m.

The main feature was Océ Van der Grinten, the office equipment maker, which climbed Fl 10 to Fl 302 on its slight rise in annual profits.

ZURICH was underpinned by the overnight strength of Wall Street, with the banking sector seeing renewed interest after results from Swiss Volksbank. The Crédit Suisse index lost 1.1 to 550.8 on afternoon profit-taking while the Swiss Market index gained 12.1 to 1,490.5.

Swiss Volksbank's better-than-expected annual results, released on Wednesday, helped its registered shares up SFr20 to SFr1,770. Union Bank bearers rose SFr20 to SFr3,130.

Engineering stock Schindler saw its bearers lose SFr150 to SFr5,275 and Sulzer eased SFr1 to SFr459 with the Swiss Machinery Manufacturers Association reporting an 8.1 per cent increase in the domestic industry's orders last year but saying growth would probably weaken this year.

MADRID was cautious again before the release of January inflation figures, due in the next couple of days, and the general index eased 0.55 to 274.35.

HELSINKI was underpinned by good corporate news, with the Unitas index climbing 0.4 to equal its all-time high of 782.4.

OSLO rose to a post-crash high after Norsk Hydro posted record annual results. The all share index added 10.94 to 415.39 and trading in Norsk Hydro – up NKr9.50 at NKr147 – represented a quarter of the day's volume of NKr462m.

STOCKHOLM recovered from early losses as strong demand for Volvo shares helped take the market higher. The Affärsvärlden index added 1.3 to 1,072.3.

Volvo free B shares rose SKr15 to SKr442, while its restricted B shares rose SKr3 to SKr428. Short-covering was reported in London.

BRUSSELS was moderately encouraged late in the day by the Bundesbank's inaction over interest rates, and shares closed mixed. The cash market index eased 10.52 to 789.14.

Générale de Banque lost BFr40 to BFr6,530 before announcing a BFr13bn capital increase, including a one-for-six rights issue.

SOUTH AFRICA

GOLD shares moved up slightly in Johannesburg, but ended off their highs as the bullion price dipped towards the close. A rise in the platinum price boosted related stocks, with Rustenburg up R1.25 at R50.75.

ASIA PACIFIC

Early advance vanishes as caution fuels profit-taking

Tokyo

AN INITIAL burst of energy that sent the Nikkei average soaring to a new high gave way to later profit-taking and share prices ended lower, *writes Michiyo Nakamoto in Tokyo.*

Wednesday's show of strength and an encouraging overnight performance on Wall Street prompted active buying in early trading, lifting the Nikkei average a hefty 197.78 to 32,347.26 at the morning close.

However, nervousness about the quick rise in prices and the consequently increasing likelihood of restrictions on margin transactions – under which brokers lend credit to individual investors – led to profit-taking. The Nikkei tumbled to finish down 65.90 at 32,083.58, having been as low as 31,996.50.

Declining issues led those that advanced by 586 to 340. Turnover rose to 1.91bn shares from the 1.71bn traded on Wednesday.

The Topix index of all listed shares declined 7.52 to 2,468.19, but, in London, the ISE/Nikkei 50 index gained 5.52 to 1,976.91.

Investors in Tokyo took profits in issues that had made substantial gains recently, but buying interest remained strong. Profits were quickly put into other sectors, analysts said.

Demand shifted to a wide variety of issues, many of which were not underpinned by any specific stories or news. Most investment trusts have fulfilled their profit goals for the current business year ending March, but there were still a few institutional investors who had missed the construction stock rally and who were looking to make quick profits where they could, said Mr Masami Okuma of UBS Phillips and Drew.

A lot of money was said to have moved from construction issues to trading companies, producing strong rises in companies such as Mitsubishi Corp, which increased Y120 to Y1,700. Mitsui and Co advanced Y80 to Y1,260 and Sumitomo added Y90 to Y1,500.

Trading companies were bought as recent underperformers and many of them are involved in the development of resort areas as well as of property based along Tokyo's waterfront.

Profit-taking hit construction issues, with Kumagai Gumi losing Y20 to Y1,560. Some properties managed to maintain strength, however, and Taisei – the most heavily traded issue at 74.9m shares – gained Y10 to Y1,630.

Paper stocks were selected on expectations of higher earnings estimates for the current business year as well as for their recent underperformance. Oji Paper gained Y70 to Y1,850 and Jujo Paper advanced Y50 to Y1,260.

Nippon Oil, the second busiest stock in volume terms with 57.6m shares traded, gained Y50 to Y1,830. It is in the process of restructuring.

Profit-taking in later trading led share prices lower in Osaka, where the OSE average finished down 42.39 at 30,377.57. Volume at 162.9m shares was slightly down on Wednesday's.

Roundup

DOMESTIC concerns left Australia and Hong Kong in the red, while Singapore celebrated the strength in New York and ended higher.

AUSTRALIA was knocked for six by much worse-than-expected balance of payments figures for January and share prices fell to their lowest level for two months.

The All Ordinaries index dropped 28.0 to 1,451.0 on news of the A$1.54bn current account deficit, as the Australian dollar lost 3 US cents overnight.

There was support at the lower levels for certain stocks but most still ended lower.

HONG KONG dropped on worries about the US dollar and its effect on the local currency, with the Hang Seng index losing 19.73 to 3,061.14. It had risen to 3,130 in early trading in reaction to gains on Wall Street and in Tokyo.

Dickson Concept was the most active stock after its placement on Wednesday, losing 40 cents to finish at the HK$7.60 placement price.

SINGAPORE saw fairly active trading in response to rises in New York, and gained ground after some early profit-taking. The Straits Times industrial index rose 7.27 to 1,129.83, and turnover slipped to 50m shares from 53m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 16 1989					WEDNESDAY FEBRUARY 15 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	137.78	-5.7	115.34	108.69	4.94	146.09	122.12	111.11	157.12	91.16	98.00
Austria (18)	96.51	-2.4	80.79	92.41	2.66	98.89	81.00	92.28	100.00	83.72	86.58
Belgium (63)	135.60	-0.8	113.51	129.91	3.97	136.68	114.26	130.10	139.89	99.14	121.38
Canada (125)	134.83	-0.2	112.87	115.50	3.24	135.15	112.98	115.53	137.27	107.06	113.64
Denmark (39)	158.48	-0.1	132.67	154.76	1.91	158.60	132.58	154.72	161.60	111.42	118.81
Finland (26)	144.73	-1.2	121.16	129.94	1.35	146.43	122.41	130.57	147.07	106.78	116.97
France (130)	116.51	+0.7	97.53	114.50	2.84	115.71	96.73	113.90	119.98	72.77	84.35
West Germany (102)	85.67	+0.2	71.72	82.06	2.29	85.53	71.50	82.00	90.47	67.78	74.44
Hong Kong (44)	128.81	-0.4	107.83	129.00	3.71	129.32	108.11	129.52	133.77	84.90	88.72
Ireland (17)	139.23	+0.5	116.55	135.76	3.72	138.53	115.80	134.52	144.25	104.60	108.96
Italy (98)	80.62	+0.7	67.49	81.10	2.49	80.05	66.92	80.65	86.88	62.99	60.56
Japan (456)	197.89	-0.2	165.66	157.99	0.47	198.32	165.79	158.45	198.32	133.61	154.09
Malaysia (36)	157.19	+0.4	131.59	165.33	2.59	156.55	130.87	164.51	159.52	107.83	112.25
Mexico (13)	162.25	+0.4	135.83	411.56	1.24	161.61	135.10	411.69	182.24	90.07	151.15
Netherland (39)	113.65	+0.5	95.14	107.89	4.60	113.04	94.50	107.31	115.04	95.23	100.71
New Zealand (24)	72.97	-1.7	61.09	63.03	6.14	74.20	62.03	64.39	84.05	63.32	68.23
Norway (26)	164.65	+0.5	137.84	149.68	1.87	159.13	133.03	144.39	164.65	98.55	104.94
Singapore (26)	142.13	+0.9	118.98	125.95	2.12	140.81	117.72	124.75	143.62	97.99	102.51
South Africa (60)	124.51	-0.1	104.23	107.79	4.38	124.59	104.15	107.01	139.07	98.26	127.94
Spain (42)	145.30	-0.8	121.64	126.53	3.75	146.51	122.48	126.92	164.47	130.73	134.93
Sweden (35)	150.97	+0.3	126.38	140.97	2.20	150.49	125.80	140.07	151.85	96.92	109.25
Switzerland (57)	77.50	+0.3	64.88	75.20	2.26	77.25	64.58	74.91	86.75	74.13	80.34
United Kingdom (314)	150.52	-0.1	126.01	126.01	4.32	151.59	126.72	126.72	152.34	120.46	125.45
USA (568)	120.09	+0.2	100.53	120.09	3.60	119.79	100.14	119.79	121.90	99.19	105.21
Europe (1006)	119.59	-0.2	100.12	107.91	3.54	119.81	100.16	108.01	120.76	97.01	100.80
Nordic (126)	146.84	+0.3	122.93	134.03	1.97	146.38	122.37	133.24	146.85	98.11	106.70
Pacific Basin (675)	192.56	-0.4	161.20	154.54	0.68	193.28	161.58	155.07	193.28	130.81	149.35
Euro-Pacific (1681)	163.36	-0.3	136.75	136.06	1.53	163.87	136.99	136.38	163.87	120.36	129.95
North America (693)	120.88	+0.2	101.19	119.83	3.58	120.61	100.83	119.55	122.73	99.78	105.64
Europe Ex. UK (692)	100.53	+0.3	84.16	96.69	2.87	100.26	83.82	96.40	102.91	80.27	85.47
Pacific Ex. Japan (219)	128.75	-3.2	107.79	110.93	4.35	133.01	111.20	112.36	137.68	87.51	92.33
World Ex. US (1879)	161.98	-0.3	135.60	135.18	1.60	162.49	135.83	135.53	162.49	120.26	129.38
World Ex. UK (2133)	145.41	-0.1	121.73	130.48	1.98	145.54	121.67	130.56	145.54	111.77	119.49
World Ex. So. Af. (2387)	145.99	-0.1	122.21	130.20	2.19	146.20	122.22	130.34	146.20	113.26	119.96
World Ex. Japan (1991)	120.81	-0.1	101.14	115.39	3.60	120.92	101.09	115.34	122.34	100.00	103.68
The World Index (2447)	145.85	-0.1	122.10	130.05	2.20	146.07	122.11	130.18	146.07	113.37	120.01

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).